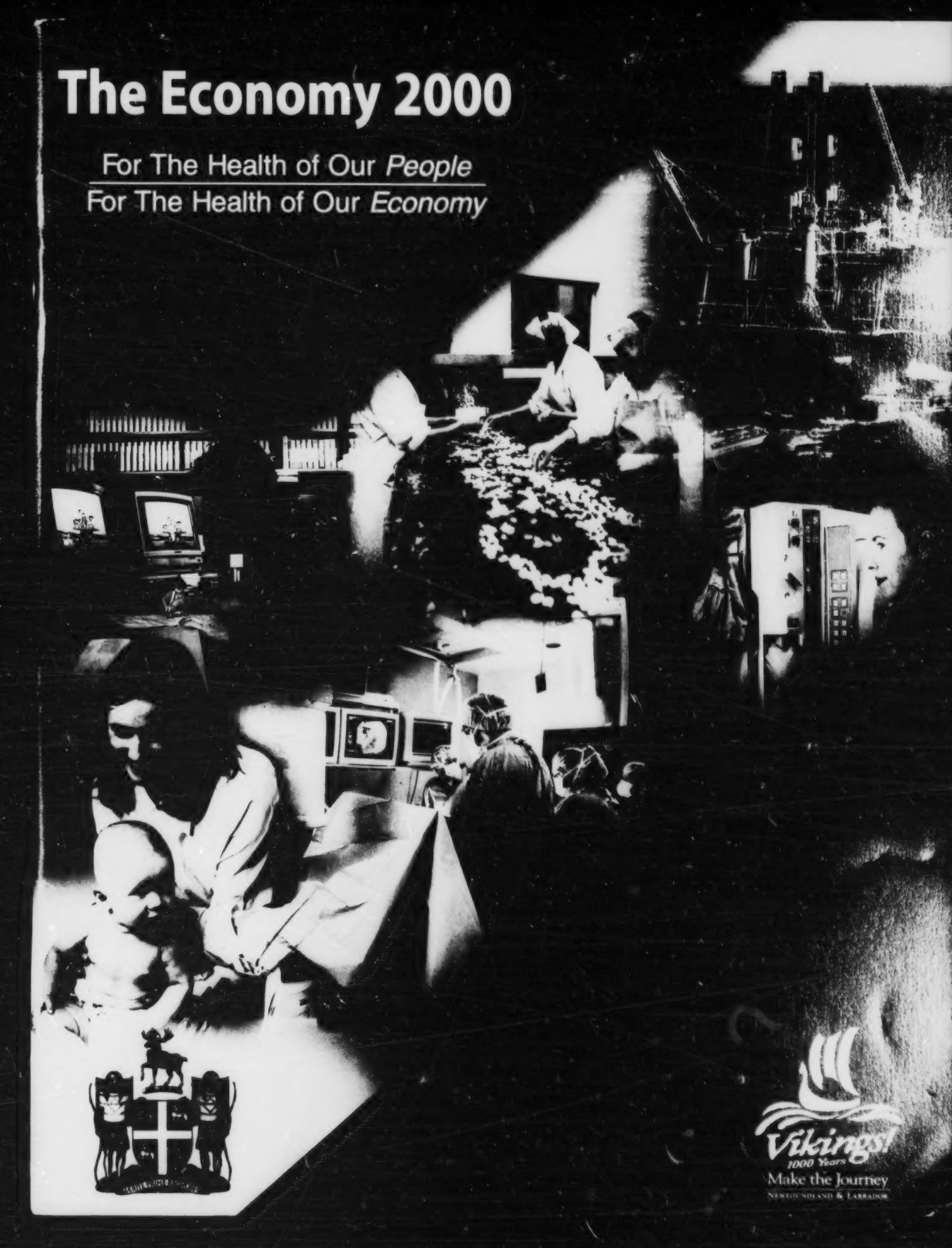
The Economy 2000

For The Health of Our *People*

For The Health of Our *Economy*



Vikings!
1000 Years
Make the Journey
NEWFOUNDLAND & LABRADOR

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The Economy 2000

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Photo: Trudy Finlay

The Economy is an annual publication providing a review of economic performance in Newfoundland and Labrador and an outlook for the near term. All data is current as of March 1, 2000 but may be subject to revision.

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ECONOMICS & STATISTICS
Department of Finance

1999 HIGHLIGHTS

Port-de-Grave fishermen

- Real GDP growth was 5.3%, the strongest among all provinces for the second consecutive year.
- Exports of goods and services increased by 13.1% to a record $5.7 billion, leading to high GDP growth and rising employment.
- Capital investment grew by 21% to a record $3.4 billion. Gains were broadly based with the largest project being Terra Nova.
- Employment grew by 5.5% to 204,900, the highest since 1990. The growth rate was the strongest among all provinces and double the national rate.
- The unemployment rate fell to 16.9%, the lowest since 1990.
- Migration declined throughout the year, helping to stabilize the population level.
- Retail sales grew by 6.9%, driven by employment gains, higher incomes, low interest rates, and rising consumer confidence.
- Hibernia production increased by 53% to 36.4 million barrels. Applying Brent market prices, the estimated production value exceeded $1 billion, more than double the production value in 1998.
- Oil exploration expenditures were estimated at $250 million, almost four times the expenditure in 1998. New offshore exploration land sales totalled a record $192.5 million.
- The volume of fish landings was 258,000 tonnes, the highest since 1992. Records were set for landed value ($518 million) and production value ($1 billion).
- Approximately 408,500 tourists visited the Province by air, automobile and cruise ship—a new record. Key tourism events included the Canada Winter Games and the Soiree '99 celebrations.
- Manufacturing shipments increased by 13.1% to a record $1.98 billion.
- Newsprint shipments increased by 27% to 722,000 tonnes as the industry recovered from the Abitibi-Consolidated strike in 1998.
- Lumber production in 1998/99 reached a record high of 110 million board feet..
- Phase I of the Trans Labrador Highway, which included upgrading the Happy Valley-Goose Bay to Labrador City section, was completed.

Photo: Cruiseship Authority of Newfoundland and Labrador, City of St. John's.
The *Norwegian Sky* in St. John's Harbour.

2000 EXPECTATIONS

- Real GDP growth is forecast at 4.7%, led by increased oil production and stronger markets for some commodities.
- Employment is expected to grow by 2.8% and the unemployment rate will decline to 15.9%.
- Population is expected to stabilize at about 541,000 and net out-migration will continue to decline.
- Retail sales are forecast to grow by 5.1% due to higher incomes and reduced personal income taxes.
- Total capital investment is projected to decline by 7.4% but construction activity is expected to remain at a high level. Housing investment is expected to increase by 5.7%.
- Construction on the Terra Nova project will continue in preparation for first production in 2001.
- Hibernia production will increase by 36% to about 50 million barrels.
- Development Plan Applications are expected to be submitted for the White Rose and Port au Port fields.
- The volume of fish landings is expected to be on par with 1999 and markets are expected to remain strong for most species.
- Tourism will likely experience its best year ever. The number of visitors is expected to grow for the fourth consecutive year, led by the Vikings! 1000 Years celebrations.
- The value of manufacturing shipments is expected to exceed $2 billion for the first time.
- The volume of newsprint shipments should near 1997 record levels, aided by stronger markets.
- The value of mineral shipments is projected to recover to near 1998 levels due to increased production of iron ore and gold.
- Newfoundland and Labrador Hydro and Hydro-Québec are expected to sign a Memorandum of Understanding, formally signalling the start of a new hydroelectric development on the Churchill River.
- Ongoing construction on Phase II of the Trans Labrador Highway will provide road access from Red Bay as far north as Mary's Harbour.

Photo: Gerry Boland Studio & Department of Fisheries and Aquaculture.
St. Anthony Seafoods northern shrimp processing plant and Chianti Food Processors Incorporated squid processing plant.

STATISTICAL INDICATORS: NEWFOUNDLAND AND LABRADOR

Real Gross Domestic Product by Industry, 1998

	$1992 Millions	% of Total
GOODS PRODUCING INDUSTRIES	**2,693**	**29.7**
PRIMARY	**988**	**10.9**
Agriculture & Related Services	33	0.4
Fishing & Trapping	158	1.7
Logging & Forestry	50	0.6
Mining, Quarrying & Oil Wells	747	8.2
MANUFACTURING	**572**	**6.3**
Fish Products	214	2.4
Newsprint	104	1.1
Other Manufacturing	253	2.8
CONSTRUCTION	**662**	**7.3**
ELECTRIC & WATER UTILITIES	**471**	**5.2**
SERVICES PRODUCING INDUSTRIES	**6,368**	**70.3**
TRANSPORTATION & STORAGE	**429**	**4.7**
COMMUNICATION	**324**	**3.6**
WHOLESALE & RETAIL TRADE	**998**	**11.0**
FINANCE, INSURANCE & REAL ESTATE	**1,368**	**15.1**
COMMUNITY, BUSINESS & PERSONAL SERVICES	**2,343**	**25.9**
Business Services	302	3.3
Health & Social Services	766	8.5
Educational Services	690	7.6
Accommodation, Food & Beverage	232	2.6
Other Service Industries	353	3.9
PUBLIC ADMINISTRATION	**906**	**10.0**
ALL INDUSTRIES	**9,062**	**100.0**

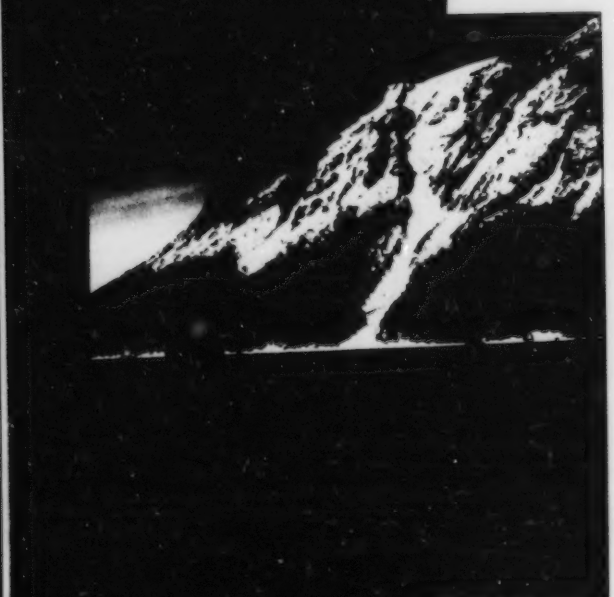
Notes: Based on the 1980 Standard Industrial Classification.

GDP is expressed at factor cost, measuring payments made to the owners of factor inputs used in production. This differs from GDP at market prices, as shown on page 8, which represents the market value of total production. The difference is attributable to indirect taxes and subsidies.

Newsprint estimates by the Economic Research and Analysis Division, Department of Finance.

Statistics Canada; Economic Research and Analysis Division, Department of Finance

Terra Nova National Park



Cross-country Skiing at Baker's Brook in Gros Morne National Park

Employment by Industry, 1999

	Person Years	% of Total
GOODS PRODUCING INDUSTRIES	**48,100**	**23.5**
Agriculture	1,100	0.5
Forestry & Logging	1,900	0.9
Fishing &Trapping	8,700	4.2
Mining & Oil Extraction	4,500	2.2
Manufacturing	18,100	8.8
Fish Products	8,400	4.1
Other	9,700	4.7
Construction	11,600	5.7
Utilities	2,300	1.1
SERVICES PRODUCING INDUSTRIES	**156,800**	**76.5**
Wholesale & Retail Trade	35,000	17.1
Transportation & Warehousing	10,800	5.3
Finance, Insurance, Real Estate & Leasing	7,900	3.9
Professional, Scientific & Technical Services	6,000	2.9
Management, Administrative & Other Support	4,200	2.0
Educational Services	16,800	8.2
Health Care & Social Assistance	29,000	14.2
Information, Culture & Recreation	5,600	2.7
Accommodation & Food Services	11,700	5.7
Other Services	12,300	6.0
Public Administration	17,600	8.6
ALL INDUSTRIES	**204,900**	**100.0**

Note: Based on the North American Industrial Classification System.

Statistics Canada

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INTERNATIONAL AND NATIONAL ECONOMIC ENVIRONMENT

International Economy

The world economy grew by an estimated 3.1% in real terms in 1999. Most forecasters had expected growth to be lower, however, the world economy had a faster than expected recovery from the financial and economic crisis that struck much of Asia and Latin America. Consequently, many countries performed better than expected. The Japanese economy, for example, grew about 0.6% last year compared to earlier predictions of a decline of as much as 1.4%.

Key European economies posted moderate growth while developing countries had strong growth of 3.5%. Russia and other countries in transition from centrally planned economies posted growth of only 0.8%. Growth in these countries has been hindered by problems including weak currencies, corruption, crime, a poor social safety net, and inadequate regulation and oversight. The 1999 growth, while weak, did mark the second year of growth in the 1990s and the outlook is for much stronger growth this year.

Global Economic Growth Outlook

	Real GDP Growth, %	
	1999	2000
WORLD	**3.1**	**3.8**
United States	4.1	4.0
Japan	0.6	1.0
Germany	1.4	2.8
France	2.7	3.5
United Kingdom	1.9	3.2
Italy	1.3	2.6
Canada	4.2	3.6
Other Advanced Economies	3.5	3.6
Developing Countries	3.5	4.8
Russia & others in Transition	0.8	2.8

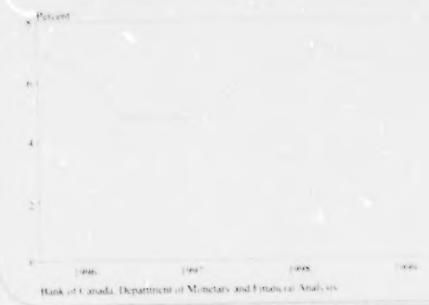
Based on various sources, available on request.

The U.S. economy continued to strengthen, growing by 4.1% last year. A booming technology sector and rising productivity have enabled the U.S. to achieve strong growth in recent years despite limited growth in its labour pool. The unemployment rate (at 4.0% in January 2000) is the lowest in 30 years. The current economic expansion is the longest in U.S. history having begun in the second quarter of 1991.

Real growth in the world economy is expected to accelerate to 3.8% in 2000 due primarily to stronger growth in Europe and developing countries. Japan is expected to experience continued slow growth associated with structural issues in its economy including high government deficits and problems in its financial sector. At the same time, Japanese interest rates are so low that there is little scope for economic stimulus through further rate declines. The U.S. economy is expected to remain strong with growth of about 4.0%.

U.S. economic performance has surprised analysts by the absence of inflationary pressures during its recent period of strong growth. The U.S. Federal Reserve, however, is concerned that prices and wages will increase more rapidly if firms cannot expand output fast enough to satisfy rising demand. Consequently, the Federal Reserve has been tightening U.S. monetary policy by raising its benchmark lending rate by a full percentage point over the past year. A one-half point increase is expected by mid-year and further rate increases can be expected if there are signs of rising inflation.

Canada's Chartered Bank Prime Rate



Canada

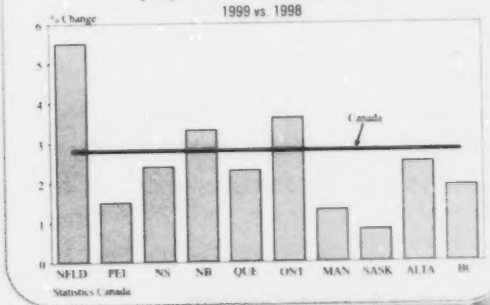
Canada had the fastest growing economy among the G-7 industrial countries in 1999, with real GDP expanding by 4.2%. This growth was about double what forecasters had expected at the start of the year when the outlook was cautious due to concerns about low commodity prices and weakness abroad. Canada, as a major trading economy, benefitted significantly from the rebound overseas, continued strong growth in the United States, its main trading partner, and a weak currency relative to the U.S. dollar. Strengthening of many commodity prices, such as base metals and oil, also helped. Employment grew by 2.8% in 1999 enabling the unemployment rate to decline to 7.6%. The seasonally adjusted unemployment rate stood at 6.8% in December 1999, the lowest since April 1976.

Highlights of Personal Income Tax Changes Effective in 2000

- Restoration of full indexation for inflation.
- Rate on middle income tax bracket to fall from 26% to 24% on July 1.
- Enrichment of the Canada Child Tax Benefit.
- Elimination of the federal deficit reduction surtax on Canadians with incomes up to about $85,000.
- Provincial tax rate reduced from 69% of basic federal tax to 62%.

Employment Growth by Province

1999 vs. 1998



In 2000, economic growth is expected to remain strong at 3.6% with employment advancing by 2.4%. Exports and investment are expected to be major contributors to growth. Higher commodity prices and strength in the economies of Canada's major export markets will be important factors in the expansion. Domestic consumption will benefit from federal and provincial tax cuts that will boost personal disposable incomes leading to higher consumer spending. Since mid-1999, the chartered bank prime rate has climbed from 6.25% to 6.75% (February 2000). Canadian interest rates are expected to increase, following U.S. rates.

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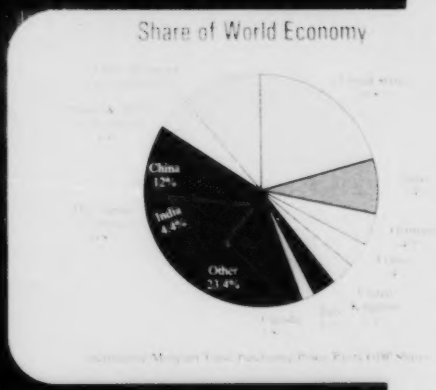

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Real growth in the world economy is expected to accelerate to 3.8% in 2000 due primarily to stronger growth in Europe and developing countries. Japan is expected to experience continued slow growth associated with structural issues in its economy including high government deficits and problems in its financial sector. At the same time, Japanese interest rates are so low that there is little scope for economic stimulus through further rate declines. The U.S. economy is expected to remain strong with growth of about 4.0%.

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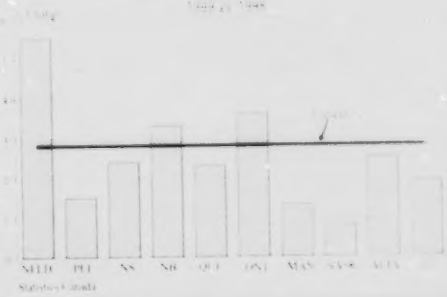

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PROVINCIAL ECONOMIC OVERVIEW

	1998	1999	2000f
GDP at market prices ($m)	10,871	11,638	13,025
% change	6.3	7.1	11.9
GDP at market prices (92$m)	10,491	11,051	11,568
% change real	6.2	5.3	4.7
Personal Income ($m)	10,054	10,490	10,888
% change	1.5	4.3	3.8
% change real	1.3	2.8	1.3
Personal Disposable Income ($m)	7,872	8,230	8,632
% change	0.4	4.6	4.9
% change real	0.2	3.1	2.3
Retail Trade ($m)	3,884	4,150	4,360
% change	3.0	6.9	5.1
% change real	4.0	5.5	2.3
Capital Investment ($m)	2,774	3,358	3,109
% change	1.3	21.0	-7.4
% change real	1.0	20.8	-5.0
Labour Force (000's)	237.0	246.7	250.5
% change	1.9	4.1	1.6
Employment (000's)	194.2	204.9	210.6
% change	2.6	5.5	2.8
Unemployment Rate (%)	18.0	16.9	15.9
Population (000's)	545.4	541.0	541.0
% change	-1.6	-0.8	0.0
CPI (1992 = 100)	108.4	110.0	112.7
% change	0.2	1.5	2.5
Housing Starts	1,450	1,371	1,465
% change	-14.5	-5.4	6.8

Note: f forecast (Government of Newfoundland and Labrador, March 2000)
Statistics Canada, Canada Mortgage and Housing Corporation, Economics and Statistics Branch, Department of Finance

Private Sector Real GDP Forecasts
Newfoundland and Labrador, 2000

	Growth
Scotia Bank	4.4%
TD Bank	4.5%
Bank of Montreal	4.0%
Conference Board of Canada	5.3%
Royal Bank	3.5%
CIBC	5.0%
Private Sector Average	4.5%

Macroeconomic Performance

Newfoundland and Labrador posted the strongest economic growth of any province in 1999, for the second year running. Real GDP growth of 5.3% was powered by gains in exports and capital investment which both reached record levels. The value of exports grew 13.1% to $5.7 billion and capital investment grew by 21% to $3.4 billion. Economic gains were broadly-based and included increases in offshore oil production, crab and shrimp landings, construction activity, tourism and manufacturing. Manufacturing gains, led by fish production, newsprint, and refined petroleum, resulted in a record shipment value of almost $2 billion. Strong economic growth, coupled with increasing employment, higher wages, low interest rates, and strengthened consumer confidence, led to an increase of 6.9% in retail sales and 13.7% in the number of new vehicles sold.

The Province's real economic growth is expected to be 4.7% in 2000, leading all provinces for a third year. Growth will be driven by increased oil, newsprint and mineral production and higher manufacturing shipments. Higher public sector spending on infrastructure, increased tourism and other service sector activity, and expanding technology industries will also contribute to growth. Employment growth of 2.8% is forecast, causing the unemployment rate to decline to 15.9%. Federal and provincial tax cuts will boost after-tax incomes in 2000. These cuts, combined with employment and wage growth, will encourage further buying by consumers leading to an increase of 5.1% in retail sales and 5.7% in housing investment.

Demographic Overview

Population began to stabilize in 1999 as net out-migration declined sharply, continuing a trend begun in 1998 and paving the way for an expected end to six years of population decline this year.

Net out-migration during the 1990s rose to high levels, triggered by employment losses associated with the groundfish closures and exacerbated by, among other things, major EI reforms and government

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Newfoundland and Labrador, 2000

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Conference Board of Canada	5.3%
Royal Bank	3.5%
CIBC	5.0%
Private Sector Average	4.5%

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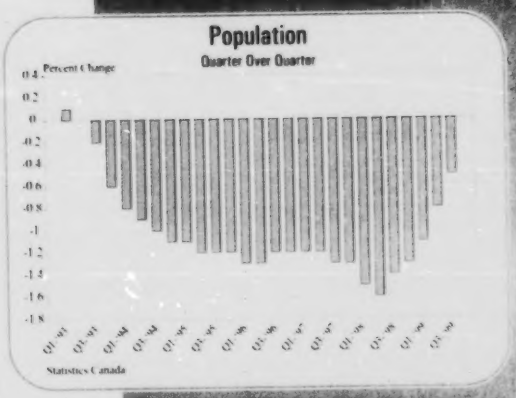
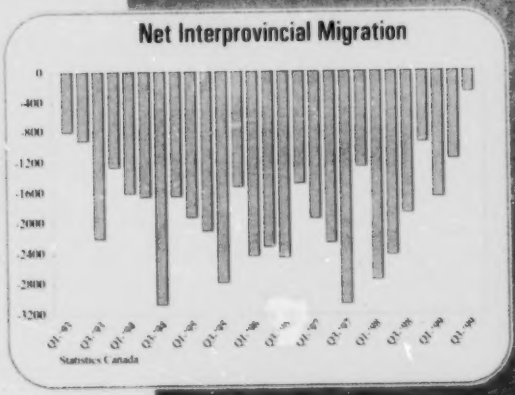
Net out-migration during the 1990s rose to high levels, triggered by employment losses associated with the groundfish closures and exacerbated by, among other things, major EI reforms and government

expenditure restraint. Falling natural increase (births minus deaths) compounded the effects of net out-migration, and population decline ensued.



Declining net out-migration over the past year or more reflects three years of increasingly stronger economic and employment growth as well as a substantially completed demographic adjustment to structural changes in the fishing industry and reform of the EI program.

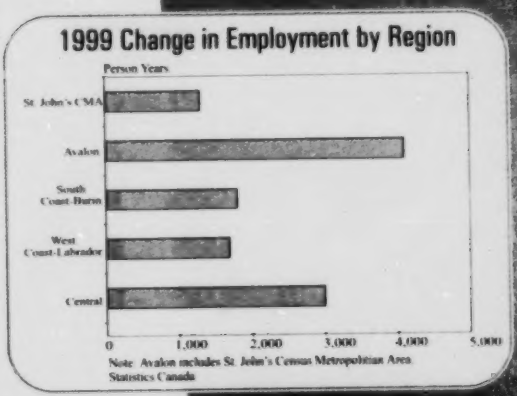
The third quarter of 1999 was particularly noteworthy (data for the fourth quarter of 1999 is not yet available). It marked the fifth consecutive quarter that year-over-year net out-migration declined, and brought interprovincial net out-migration to its lowest third-quarter level in almost two decades. It also brought an end to six and a half years of quarter-to-quarter population decline as the natural increase was just enough to offset net out-migration, leaving population virtually unchanged from the second quarter of 1999.



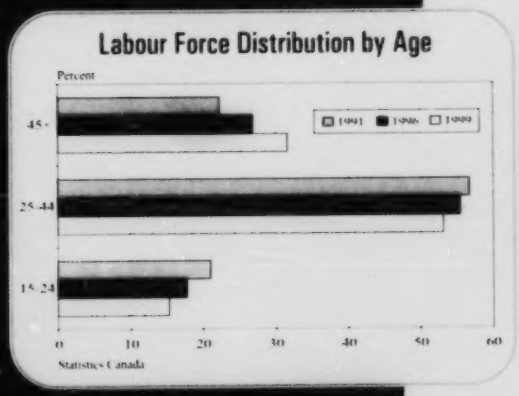
The population is expected to stabilize in 2000 and beyond as net out-migration continues to moderate, reflecting expectations for strong economic and employment growth. While population decline is not expected to be an issue in the current decade, population aging and regional population shifts will continue to present significant challenges for all provinces.

Labour Market Performance

Labour market performance in 1999 was the strongest in a decade. Employment averaged 204,900, an increase of 5.5% from 1998. This was the highest growth rate of all provinces, and double the Canadian growth rate. The unemployment rate declined to 16.9% from 18.0% in 1998. Job gains were broadly-based, both on a regional and industry basis. Increases were recorded in the fisheries, retail trade, construction, tourism and transportation industries. Employment growth outside of the St. John's area was particularly strong at 8.1%.

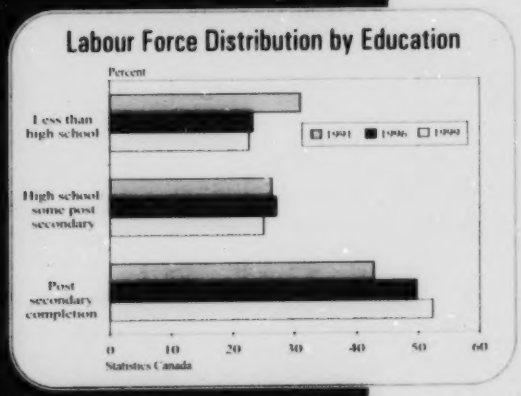


The labour force grew by 4.1% in 1999 reflecting growth in job opportunities. The labour market participation rate, which measures



the labour force as a percent of the working age population, increased to 56.3% from 53.9% in 1998.

Strong employment growth, coupled with increased demand for skilled trades and occupations, resulted in growth in average weekly earnings of 2.8% in 1999 and by 1.3% after adjusting for inflation. This was the strongest growth of all provinces and reflected higher public and private sector wage settlements, an increased minimum wage and employers' need to attract and retain skilled workers in the face of lower unemployment rates and relatively higher wages in other parts of Canada and the United States.



Labour force and employment growth trends are influencing the composition of the labour force. For example, in 1999, 52.2% of the labour force had completed post secondary studies, an increase from 43.1% in 1991. Educational attainment can be expected to increase further as youth now entering the labour market tend to have more education than older workers retiring from the labour market. Furthermore, the demand by employers for highly skilled labour is expected to increase over time. As well, 31.6% of the labour force was age 45 and over in 1999, as compared to 22.3% in 1991. This may mean that over the next 15 years more job opportunities will be available for youth, as up to one-third of today's labour force reaches retirement age.

Photo: Paul Chafe, The Muse.
University Centre, Memorial University of Newfoundland - St. John's Campus.

CHURCHILL RIVER POWER

Newfoundland and Labrador Hydro and Hydro-Québec have made significant progress on major issues and are finalizing legal and technical agreements with respect to completing a Memorandum of Understanding on developing the Lower Churchill. Progress in 1998 and 1999 include the following:

Recall/GWAC

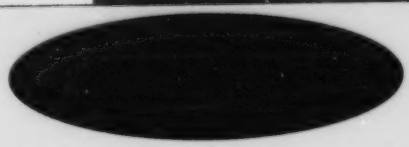
In December 1998, the utilities signed a three-year agreement worth almost $80 million, which allowed the Province to recall 130 MW of power from the Upper Churchill and re-sell it to Hydro-Québec at current market prices. To date, the Province has received about $68 million in additional revenues. In addition, the Guaranteed Winter Availability Contract (GWAC) was ratified by both utilities in June 1999. The GWAC increases Newfoundland's take on the 1969 power contract by ensuring maximum capacity is available for sale to Hydro-Québec during winter months: it will provide over $1 billion to the Province between 1998 and 2041.

Power Projects

- Partial diversion of Romaine River and increased utilization of the 11 existing generators at Upper Churchill.
- Gull Island - new generating station (2,264 MW).
- Transmission lines - two 735 kv lines - Gull Island to Churchill Falls and Gull Island to Québec.
- Muskrat Falls - feasibility study completed. Not economically feasible at this time.
- Infeed to Island - subject to negotiations with federal government.
- Estimated cost between $7 and $10 billion.

Project Optimization

The original development plan, announced in March 1998, proposed to partially divert two Québec rivers (Romaine and St. Jean) into Labrador and to install additional generating capacity on the Upper Churchill River. In June 1999, following detailed engineering studies, the utilities agreed to partially divert only the Romaine River into the Smallwood Reservoir and to increase the utilization rate of the 11 generators at the existing Upper Churchill facility, rather than construct a new generating plant. Almost the same amount of energy can be produced at a significantly reduced cost, which means increased profits, with fewer environmental effects.



- Sign inter-utility Memorandum of Understanding.
- Award environment and engineering contracts worth about $30 million.
- Complete Environmental Assessment Memorandum of Understanding.
- Appointment of Environmental Assessment Panel.
- Establishment of joint project office in the Province.
- Conclusion of Impact Benefits Agreements negotiations with Innu groups.

Economic Benefits

Power Purchase Agreements will be based on market prices with a price floor for energy sold to the U.S. and Canadian markets (outside Québec). This will ensure that, no matter how low prices go, the project will have sufficient revenues to cover debt incurred during construction. A progressive royalty regime and project management agreements are also being negotiated. Benefits for Newfoundland and Labrador will be maximized. The head office for the project will be based in Newfoundland and Labrador, and engineering and procurement will also be based out of this province.

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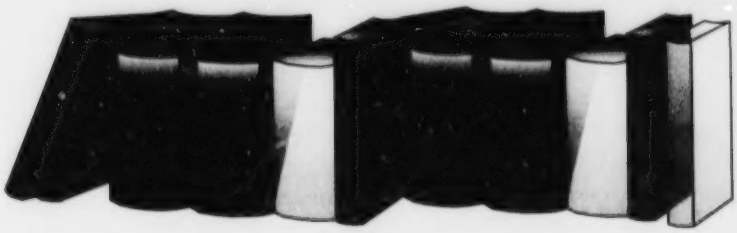


1990-1999
MILESTONES... of the Past Decade

1999
- Hibernia production increases to 36.4 million barrels
- Highest oil exploration in a decade
- Records set for landed value and production value of fish
- Province hosts Canada Winter Games and celebrates Soiree '99
- Province leads country in GDP and employment growth

1998
- Construction begins on $2.8 billion Terra Nova development
- Offshore royalty regime announced for petroleum industry
- Transshipment Terminal receives first oil shipment from Hibernia
- Province commences formal negotiations with Québec for further hydro development on the Churchill River
- Province hosts Softworld '98, attended by a record 775 delegates
- Province leads country in GDP growth

1997
- November 17 - Hibernia produces first oil
- First ever inshore shrimp fishery for North East Coast and Labrador
- Iron Ore Company of Canada commences $650 million investment program at Labrador City
- Province hosts Cabot 500 Celebrations
- Introduction of Harmonized Sales Tax, Province's largest tax cut

1996
- Inco purchases Voisey's Bay deposit
- Development Plan Application submitted for Terra Nova

1995
- Second fibre optic link established across Island and Gulf
- Economic Diversification and Growth Enterprises (EDGE) program introduced
- Hibernia construction phase reaches peak employment
- Increased focus on successful shellfish fisheries, particularly crab

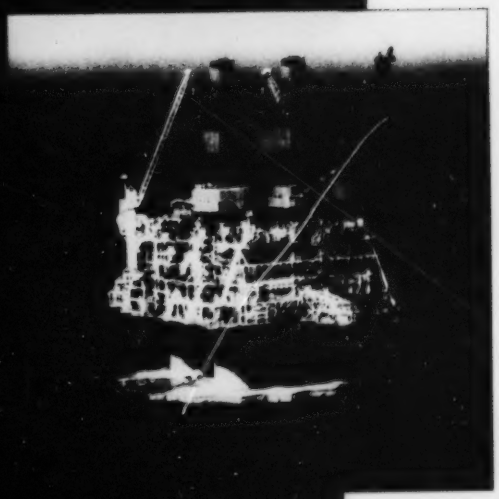
1994
- Nickel, copper and cobalt discovery at Voisey's Bay
- Most groundfish species closed under a long term moratorium
- Transitional fishery compensation programs rolled into one long term program (TAGS)
- Onshore royalty regime announced for petroleum industry

1993
- Quota reductions for Gulf cod fishery and suspension of South Coast cod fishery
- Transitional assistance announced to help affected fishery workers
- Fiber-optic based transmission system completed across Island and Gulf
- North American Free Trade Agreement implemented

1992
- Northern cod fishery closed and transitional assistance program announced (NCARP)

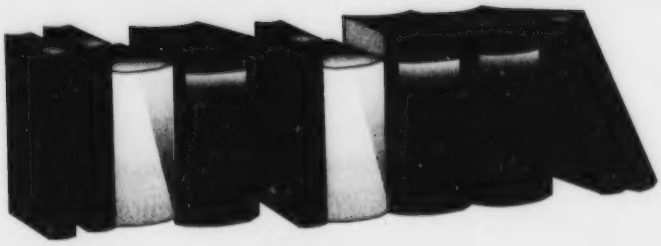
1991
- Economic recession in Canada
- Hibernia construction begins at Bull Arm

1990
- Groundfish quotas, especially Northern cod, in decline
- Agreement reached between federal and provincial governments and Hibernia consortium to develop oil field
- Record annual average employment of 207,400



Premier Hibernia Management and Development Company - Hibernia marked the birth of an offshore oil industry

Premier Matthews and Commissioner Kennedy - The *Matthew*'s visit was a focal point of the 1997 Cabot 500 Celebrations



2000-2009
EXPECTATIONS... for the Next Decade

Resources

2001 - Terra Nova in production
New oil developments including White Rose and Hebron-Ben Nevis
Onshore oil development at Port au Port
Natural gas development in Jeanne D'arc Basin
Recovery in groundfish stocks continue
2003 - Construction begins on Churchill River Power Project
Development of Voisey's Bay
2004 - the Province produces over one-third of Canada's light crude oil

Infrastructure and Tourism

Continued tourism related service improvements and capacity expansion
2000 - Province celebrates Vikings! 1000 Years
2001 - Opening of St. John's Civic Centre
2002 - Phase II of Trans Labrador Highway completed linking Red Bay to Cartwright
2002 - St. John's International Airport expansion and improvements completed
2003 - Opening of "The Rooms", new provincial archives, museum and art gallery

Economy

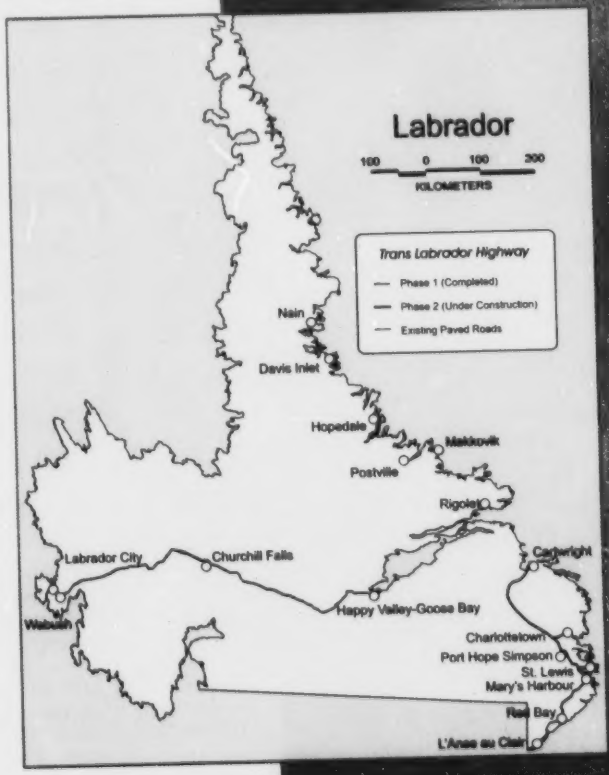
Province will continue to narrow the gap with national average GDP per capita
The unemployment rate will decline
Inflation and interest rates will remain low

Demography

Population has stabilized and will eventually increase, driven by stronger labour market
Net out-migration trends will reverse, and net in-migration will begin
Aging factors, including low fertility rates and longer life expectancy, will result in median age increasing to over 40 years

Technological Advances

Household computer ownership, internet access and e-commerce will become increasingly common
Wireless communications will increasingly replace traditional wire based communications
Biotechnology research will accelerate, enabling major advances in health and adding to life expectancy



OIL AND GAS

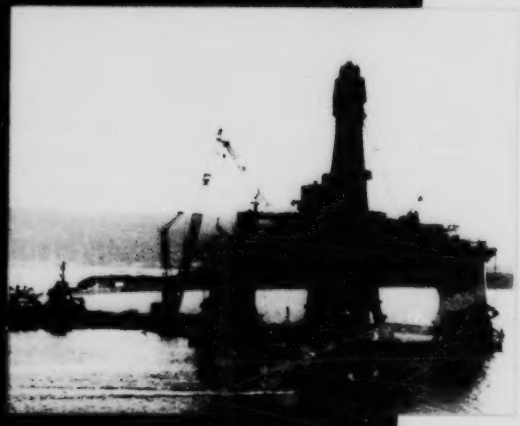


Photo: Terra Nova Project
The semi-submersible rig *Henry Goodrich* will be used in Terra Nova drilling this year.

Hibernia

Oil production from Hibernia reached 36.4 million barrels in 1999, up from 23.8 million barrels in 1998. The operator recently received regulatory approval to increase its maximum daily production rate from 150,000 to 200,000 barrels a day. Permission to increase the annual production limit from 50 to 66 million barrels will require the approval of the federal and provincial Energy Ministers: this decision is expected soon. Hibernia's operator carries a reserve figure of 615 million barrels for the field; however, some owners now estimate a reserve of between 730-750 million barrels. Hibernia benefitted from higher oil prices in 1999 which increased by more than 39% on an annual average basis. Steady state production employment for the project is estimated to be between 650 and 700 persons.

- Hibernia oil production is expected to increase by 36% to about 50 million barrels.
- Terra Nova production vessel scheduled to arrive in May for hook-up and commissioning.
- Expansion of Transshipment Facility to be completed in the Fall.
- Development Plan Applications expected for White Rose and Port au Port onshore development.
- Hibernia, Terra Nova development, and the transshipment terminal should provide about 2,200-2,300 jobs.
- Hibernia to spend between $300 and $350 million on operating and capital; Terra Nova to spend $550 million.
- Stakeholders will continue to review natural gas development options.

Terra Nova

The pace of activity on the Terra Nova project picked up in 1999. Average monthly employment in the Province rose to about 1,000 from 210 in 1998. In December, about 1,460 people were employed on the project. Onshore activities included project management and procurement, subsea template fabrication, topsides module fabrication, and expansion of the quay at Bull Arm. Five glory holes (cavities dug in the seabed to protect equipment from iceberg scour) were excavated and development drilling commenced in July. Spending on Terra Nova totalled approximately $800 million in 1999. First oil is now expected early in 2001 rather than late 2000 due to a longer than anticipated construction period. Terra Nova has approval to produce close to 40 million barrels a year, however, with appropriate regulatory approvals, the owners plan to produce over 50 million barrels annually.

Exploration/Delineation

Exploration activity in 1999 was estimated at around $250 million, the highest in a decade and almost quadruple expenditures of $67 million in 1998. Nine exploration/delineation wells were drilled including seven on the Grand Banks and two on the West Coast of the Island. Delineation of White Rose and the Hebron-Ben

OIL AND GAS

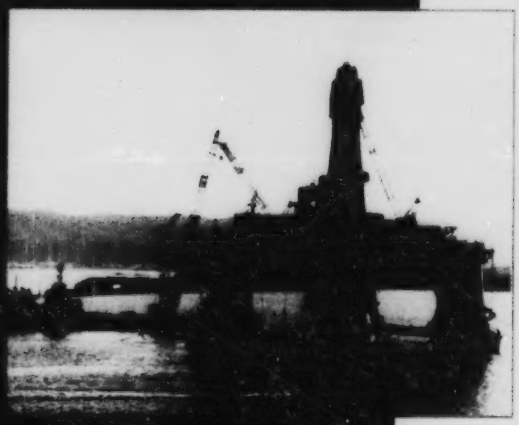


Photo: Terra Nova Partners
The semi-submersible rig *Henry Goodrich* will be used in Terra Nova drilling this year.

The oil industry is the leading contributor to growth in the provincial economy. Last year, offshore related activity and associated spinoffs accounted for over 10% of provincial GDP and 2.6% of employment.

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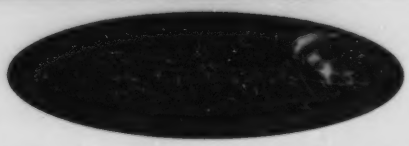

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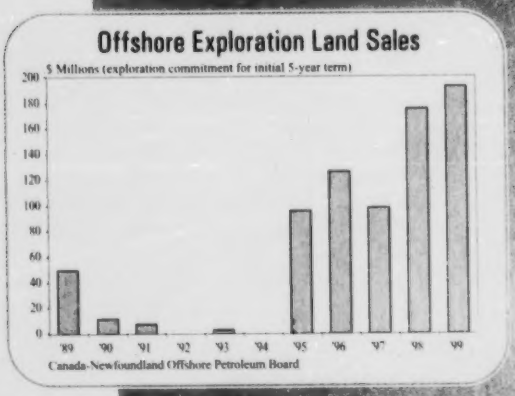
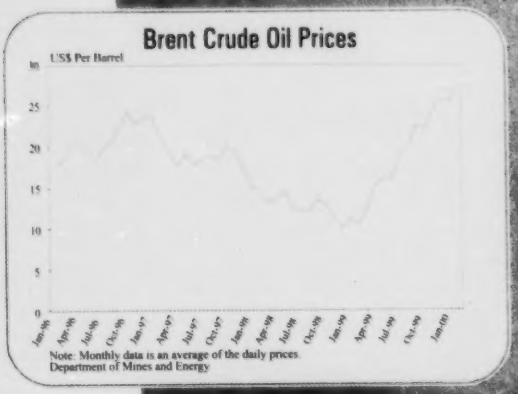
Nevis complex, considered to be the next development candidates, yielded encouraging results. In Western Newfoundland, an onshore-to-offshore well drilled at Shoal Point tested only water, while an onshore well drilled at Flat Bay encountered oil.

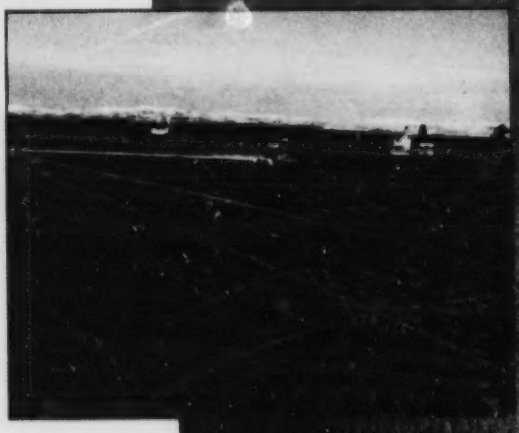


Record offshore land sales in recent years combined with excellent resource fundamentals indicate a bright future for Grand Banks exploration. Industry's commitment to the Grand Banks can be attributed to its large resource potential; significant field size; low finding costs per barrel (about one half of the cost in Western Canada); and an established royalty regime. In addition, advances in offshore technology, such as floating production systems, have lowered development costs and improved project viability. By 2004, the Province is expected to account for more than one-third of Canada's light crude oil production.



White Rose

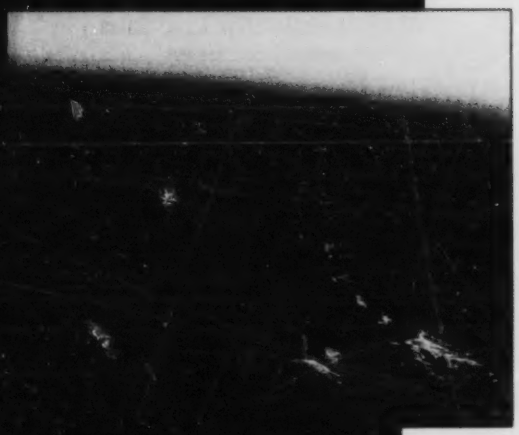
Delineation of White Rose in 1999 resulted in the operator indicating two separate hydrocarbon accumulations, South White Rose (SWR) and North White Rose (NWR). SWR has estimated recoverable oil of about 250 million barrels. A Development Plan Application is expected this year with first oil as early as 2003. NWR could lay the foundation for natural gas development with estimated potential recoverable gas of up to two trillion cubic feet and 150 million barrels of oil and gas liquids. Development of the Province's natural gas resources is discussed in the following section.



Onshore Oil Development

Oil production on the Port au Port Peninsula could commence in the near future. Through a farm-in agreement with Hunt Overseas Operating Company and PanCanadian Petroleum Limited, Canadian Imperial Venture Corp. will operate a permit covering most of the Port au Port Peninsula, including a 1995 oil discovery. Canadian Imperial plans to evaluate the discovery, file a Development Plan Application and, ultimately, commence production. The field is expected to yield a high quality crude. While this development is small compared with offshore mega-projects, it will make an important contribution to the Port au Port Peninsula's economy and may serve as a catalyst for future exploration in Western Newfoundland.

NATURAL GAS - THE NEW FRONTIER



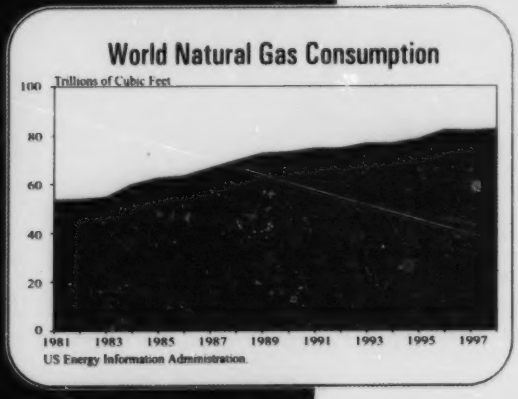
The Province has a rich natural gas endowment. Stakeholders have been eyeing this resource with a view to tapping into its significant potential.

Natural Gas Consumption on the Increase

Natural gas consumption is growing worldwide due to economic growth and environmental pressures for cleaner energy sources than oil or coal. While an estimated 70% of the world's natural gas reserves are located in the NIS (New Independent States of the former Soviet Union) and the Middle East, the major markets are in the industrialized countries of North America and Western Europe. Developing these, and other, stranded gas reserves in a way that is environmentally sound and provides sufficient benefits to stakeholders is the challenge facing industry.

The Province's Resource Endowment

Natural gas estimates for the Province place its endowment (discovered and potential) at over 50 trillion cubic feet, roughly 15% of Canada's resources. According to the Canada-Newfoundland Offshore Petroleum Board, the Labrador Shelf and Jeanne d'Arc Basin contain 4.2 and 4.0 trillion cubic feet of discovered natural gas respectively. The Jeanne d'Arc Basin on the Grand Banks (which contains Hibernia, Terra Nova and White Rose) is regarded as the most likely candidate for offshore gas development under current technology.

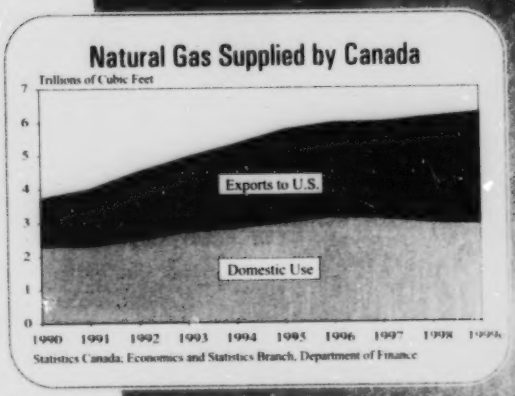


Development Options

The development of natural gas reserves on the Grand Banks will be another major step forward in expanding and diversifying the oil and gas industry in the Province. To achieve this, stakeholders must consider optimum gas production, processing and transportation options as well as market opportunities.

In a joint industry-government report prepared in 1998, three production system options for the Grand Banks were outlined. These options included fixed platform production; floating production system; and subsea production from satellite fields connected to a host platform. A fixed production system is currently used in oil production at Hibernia and a floating oil production system design will be used for Terra Nova.

In addition to the production system alternatives, several processing and transportation options are available to move offshore gas resources to market. The most common gas transportation option is by pipeline. Under this option, gas could be landed in the Province to meet its growing energy requirements and form a feedstock for further value added processing. Gas surplus to the Province's needs could be exported by pipeline and fed into the North American pipeline grid. Other possibilities include transportation of compressed natural gas by ship either to provincial or other markets. The technology, although in the conceptual stage, is considered to be a viable transportation option. Additional options under consideration include conversion (either onshore or offshore) of gas to liquefied natural gas (LNG) or conversion of gas to other liquids such as methanol or synfuels. LNG would likely be shipped directly into international markets while other liquid products could be further processed in the Province or sold directly into other national or international markets.



U.S. consumption of Canadian natural gas is growing. Canadian exports of natural gas to the U.S. have grown by [illegible] since 1990.

While the Sable Island natural gas development posed different challenges than the Grand Banks, this project illustrates some of the options available in gas development. In the Sable project, gas is produced on a fixed steel jacket platform and transported via pipeline to Nova Scotia. Once landed, the gas and natural gas liquids are separated. Gas is transported through the Maritimes and into the U.S. through the North American pipeline grid while natural gas liquids are processed for further marketing into condensate, propane and butane.

Ongoing Research

Industry and government are conducting further research with a view to better understanding the potential resource base, markets, development options and project viability. The results from this research are expected to be released this summer.

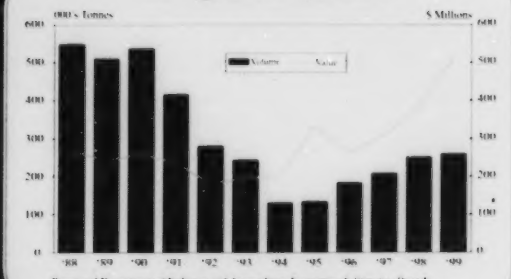
FISHERIES

Photo: Gerry Boland Studio & Department of Fisheries and Aquaculture
Fishing vessels at Polar Seafoods' wharf, Corner Brook

The fishing industry has undergone significant structural change in the last decade following the closure of the Northern cod and other groundfish fisheries which once dominated the industry. Today's fishery is increasingly efficient, market-driven, capital-intensive and professional. It is focused on development of new resource opportunities, secondary seafood production and aquaculture. Over 45 species are currently harvested and development, processing and marketing activities for other species are ongoing. There are over 100 commercial or developing aquaculture operations in the Province, generating $18 million in export value in 1999.

Many industry indicators were positive in 1999. Total landings increased for the fifth consecutive year, rising by 4% to 258,000 tonnes. Landed value rose 36% to a level almost double that recorded in 1996. Production value rose by 37%, reaching a record $1 billion. Average monthly employment in the harvesting and processing sectors increased to over 17,000, the highest level since 1993. Processing employment was particularly strong, increasing by 38% in 1999 to double its 1995 level.

Landings and Landed Value



Provincial Department of Fisheries and Aquaculture, Economics & Statistics Branch
Department of Finance

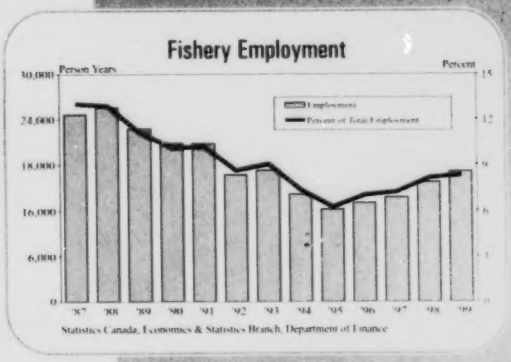
Revitalization and growth of the fishing industry has been aided by various shellfish species including crab and shrimp, both of which were strong contributors to industry growth in 1999. Growth in the crab fishery was particularly strong in 1999 with landings rising by 31.4%. This growth saw crab landings reach a record 69,000 tonnes. It is possible that the snow crab biomass may have peaked and that some downward adjustment in landings may occur in the short term. Nevertheless, crab is expected to remain the dominant species over the foreseeable future.

- Volume of landings expected to be on par with 1999 level of 258,000 tonnes.
- Markets to remain strong for most species.
- Expected permanent legislation will establish a price setting mechanism between harvesters and processors.

Shrimp has also seen sizeable growth over the past two years. In 1999, combined inshore and offshore shrimp landings rose by 15.6% compared to 1998, and they were up almost 50% from 1997 levels. Further growth is expected in 2000 on the basis of increased quotas and effort. The shrimp fishery's contribution to the fishing industry has been enhanced by the development of the inshore northern shrimp fishery

which has resulted in increased capital investment in value-added processing capacity. Cooked and peeled shrimp plants now operate at ten locations.

Market prices for shellfish were mixed in 1999. Resource problems in Alaska, coupled with growing consumer demand, led to increased crab prices. Conversely, higher shrimp landings led to increased supply and a downward trend in market prices. Industry has mounted an aggressive promotional program for cold water shrimp and this initiative should impact positively on the industry.



Fisheries Policy Initiatives

Fisheries revitalization has been enhanced by policy initiatives related to price negotiations, processing capacity, quality measures, and education and training. In 1998, a two-year innovative model (Final Offer Selection) for price settlement between fish harvesters and processors was introduced. This model facilitated a timely start to six key fisheries in each of the past two years and has been well received by industry stakeholders. The pilot model has been extended into 2000 and legislation is being drafted to allow for its continuation beyond this year.

Aquaculture Production
1997 to 1999

	Production (Tonnes)		
Species	1997	1998	1999
Salmonids	980	1,730	2,480
Mussels	750	950	1,700
Cod	30	10	100
Other	20	10	10
Total	1,780	2,690	4,290

Note: All numbers rounded.
Department of Fisheries and Aquaculture

A new processing policy was developed in 1997 to help increase the competitive position of processors by rationalizing capacity and lengthening plant operating periods while maintaining a regional approach to capacity. This policy established the core plant designation and provided for a quality assurance program as well as licence consolidation, transfers, and cancellation. The number of active fish plants has been reduced from 240 to 145 since 1997. Among active plants, 63 have attained core status.

The establishment of a Fish Harvesters Certification Board in 1997 placed a new emphasis on industry professionalization. In 1999, approximately 15,400 certified fish harvesters were registered with the Board. This included almost 8,900 Level II fishers, 1,300 Level I fishers, and almost 5,200 apprentices and new entrants. Any new fish harvester must meet specific education requirements and must have a minimum level of sea time. As well, the Marine Institute of Memorial University offers over 100 institutional and community-based courses related to harvesting, processing, food preparation and quality enhancement.

FISHERIES

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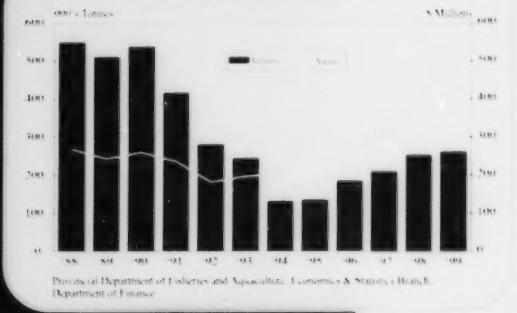

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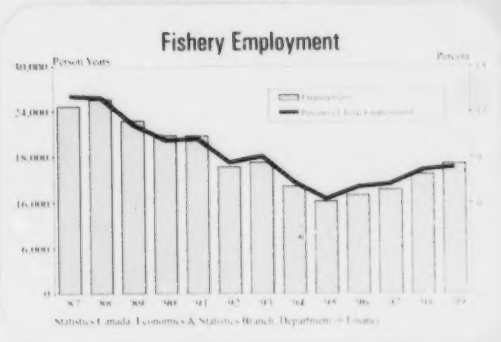

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FISHERIES
- AN EMPHASIS ON PRODUCT QUALITY

Packaging shrimp

The importance of product quality in a competitive and demanding international marketplace cannot be understated. Products of the highest quality command the highest prices and a greater return is realized to industry stakeholders. Consistent production of high quality products also results in more stable and potentially larger markets. The focus on product quality begins at the time of harvest and continues until delivery to the final consumer. The goal of the Newfoundland and Labrador industry is to be the best producer of fish in the world.

The Province has legislative jurisdiction over all fish landed within its boundaries, including handling, buying, processing, storing, grading and marketing. This legislative framework enables the Province to ensure that all fish and fish products intended for commercial purposes meet rigid health and safety standards.

Quality Assurance Program and Processor Licensing Policy

Government and industry identified seafood quality assurance as a priority and introduced a Quality Assurance Program through the Department of Fisheries and Aquaculture. The Program, implemented in 1996, involves monitoring of vessel landings, unloading of fish, transporting fish, and holding areas within processing plants. In 1999, the Department's fish inspection officers conducted 4,700 inspections of vessels, transport vehicles and processing plants, double the number of inspections conducted four years ago. This is a significant departure from the Department's previous activities which were generally confined to monitoring processing establishments. In addition, licensing policies and regulations for processors have been revised to address quality concerns, introducing more prescriptive measures related to temperature controls, the stacking of fish, and containerization.

Since the inception of the Quality Assurance Program, considerable progress has been made in improving product quality and the Province's reputation as a seafood producer in the international marketplace. Fish harvesters and processors are, in turn, receiving record earnings. The landed value and production value for fish

products has almost doubled since 1996, due to a solid resource base, quality improvements and strong markets.

Photo: Gerry Boland Studio & Department of Fisheries and Aquaculture.
Shrimp conveyor system.

Industry Commitment

The Department of Fisheries and Aquaculture organizes quality workshops on an ongoing basis for fish harvesters, processors and other industry stakeholders. These well-attended workshops focus on quality from the time fish is landed on board vessels to its final delivery to consumers throughout the world. The Marine Institute of Memorial University and research institutes such as the Canadian Centre for Fisheries Innovation and C-CORE, are conducting research related to quality assurance, new product development, and maximizing the use of resources. The Marine Institute also offers courses to harvesters and fish plant workers related to improving product quality.

Industry commitment is further illustrated by the recently created Government-Industry Working Group on Fisheries. Among other tasks, the mandate of this working group will include the development of a long term Quality Action Plan to lead the fishing industry into the 21st century.

Photo: Gerry Boland Studio & Department of Fisheries and Aquaculture.
Fish trimming line.

TOURISM

Photo: Kevin Redmond

Tourism has been a good news story for the provincial economy. Beginning with the Cabot 500 Celebrations in 1997, the number of visitors to the Province has set records in each of the last three years. Travel and tourism expenditures, resident and non-resident, amount to approximately $600 million per year.

Performance

Tourism turned in another solid performance in 1999 with non-resident visitation growing by 6.8% to about 408,500, the highest ever. Increases came from all transportation modes: air, auto and cruise ships. Visitors spent approximately $261 million in the Province, up 9.5% over 1998. Non-resident tourists account for over 40% of industry expenditures and represent the export component of tourism. Continued industry strength can be attributed to increased product awareness through special celebrations like Soiree '99 and the upcoming Vikings! 1000 Years, a more favourable U.S. exchange rate, and strong economic growth which is fueling business travel. The strong performance was visible in a number of indicators, one of the most noteworthy being hotel occupancy rates which recorded the strongest increase of any province. Several new hotel/motel and expansion projects are ongoing to accommodate the growing number of pleasure and business travellers.

Service Enhancement and Infrastructure

With growth firmly established, advances are being made to ensure that visitors continue to enjoy a quality experience. In line with the goals and motivational guidance provided by the Accommodation Rating Program, the number of high quality accommodations has risen steadily since its inception in 1992. For example, the number of four star, or superior quality facilities, rose from two in 1993 to 26 in 1999. Of particular interest are upscale, historic bed and breakfasts which are becoming increasingly popular with corporate customers during the fall and winter months. Continued enhancements of convention facilities, such as the opening of the Canada Games Centre in Corner Brook and the new civic centre under construction in St. John's, will deliver new high-yield conventions to the Province and should benefit the accommodation sector.

- Continued growth in the number of visitors expected as the Province celebrates *Vikings! 1000 Years*.
- Viking replica vessel *Islendingur* arrives in the Province in July for 25 day visit.
- Additional capacity expected for Gulf ferry service and the Labrador Straits crossing.
- Cruise ship visits expected to post another solid year.
- Infrastructure enhancements and expansion continue.
- In the case of Labrador, highway system expansion offers new growth opportunities.

Improvements to major transportation services are under way. These include additional capacity for both the Gulf ferry service

and the Labrador Straits crossing, extensive renovations to the St. John's International Airport, continued upgrading of the Trans Canada Highway and construction of the Trans Labrador Highway. The expansion of the Labrador highway system over the next several years will encourage tourism growth for many communities along the Southern Labrador coast.

Initiatives to enhance service quality and human resource skill development are promoting professionalism in the industry. In addition, a greater number and variety of product offerings such as golf, adventure tours, skiing, and snowmobiling are enriching the experiences available to tourists.

Photo: Parks Canada/Shane Kelly.
Up to 100 reenactors will showcase Viking activities. Participants will include local people as well as members from Viking Societies world wide.

2000 Promises to be Another Good Year

This year is expected to be the best ever for tourism as the Province celebrates the 1,000th anniversary of the Vikings' arrival in North America. Vikings! 1000 Years will be a Province-wide celebration with the focal point being the Viking settlement at L'Anse aux Meadows National Historic Park. Attractions will include the re-creation of Norstead, a Viking village showcasing crafts, skills and foods of the Viking era; Viking Sail 2000, a fleet of over 12 Viking ships arriving at L'Anse aux Meadows; and a visit from the *Islendingur*, a replica Viking longship from Iceland which will make 10 ports of call. Early indicators are encouraging as increases have been recorded in accommodation reservations, Marine Atlantic bookings, requests for tourist information, and motor coach bookings. The cruise ship industry also continues to show promise with 63 ports of call planned to date as compared with only 34 two years ago.

Tourism Indicator Growth
Percent change, 1999 vs. 1998

Visitors by car	10.1%
Air charter passengers	13.0%
Air passengers (regular flights)	7.1%
Hotel occupancy rates (point change)	4.9
Visitors to information chalets	11.1%
Cruise ship ports of call	76.5%

Department of Tourism, Culture and Recreation: Pannell Kerr Forster Consulting Inc.

Photo: Parks Canada/Shane Kelly.
L'Anse aux Meadows National Historic Park is a UNESCO World Heritage Site.

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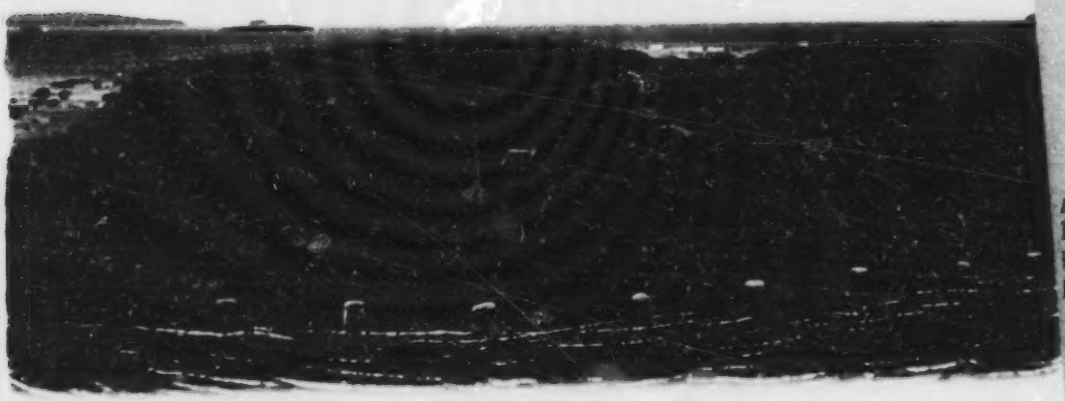

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CULTURAL ACTIVITIES

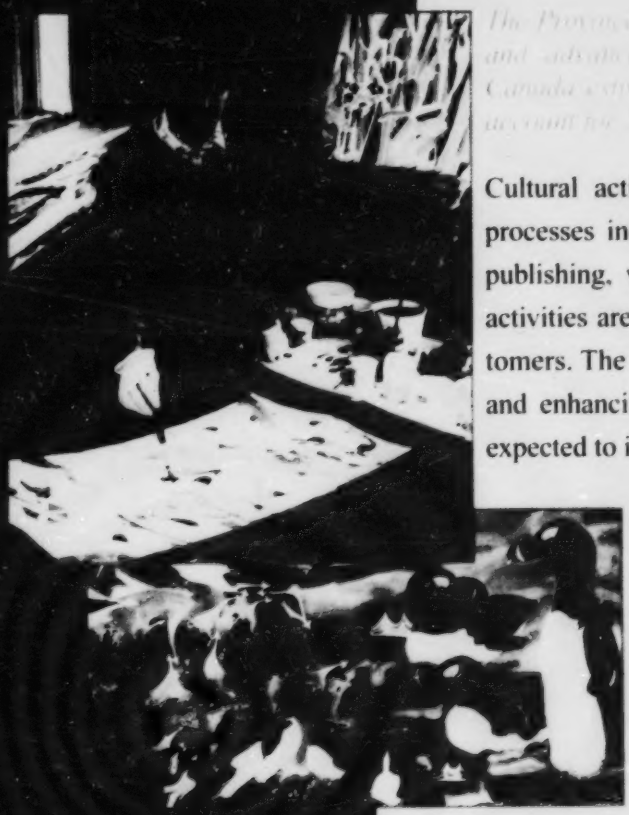


Photo: Craft Council of Newfoundland and Labrador
Diana Dabinett in her studio. Several of Diana's larger silk painted banners adorn health care facilities in California.

Cultural activities span a range of industries and involve creative processes including film making, music, writing, crafts and apparel, publishing, visual arts, and heritage. Market opportunities for these activities are diverse and include local, national and international customers. The Province's culture also plays an integral role in defining and enhancing its tourism product. Demand for cultural products is expected to increase given increased tourism and cultural awareness, an older population structure, higher education levels, and higher incomes.

Craft and Apparel Sector

The craft and apparel sector is comprised of a diverse group of companies and individuals making high quality products. In all, some 500 small businesses employ approximately 2,000 people to produce attractive, durable and well-designed products for local and export markets. Sales exceeded $25 million in 1998, more than double that of 1991.

Drawing upon the influences of a marine environment and a colourful history, the craftspeople of Newfoundland and Labrador create works that are distinctive and unique. Handcrafted products cover an array of techniques and materials, and include knitwear and apparel, aboriginal carvings, jewellery and accessories, furniture, pottery and textiles. Both contemporary and traditional design and skills are drawn upon by craft makers in developing innovative products for a competitive market place.

- Cultural activities will benefit from growing economy and *Vikings! 1000 Years* celebrations.
- Work will commence on the new "Rooms" cultural facility which will house the provincial museum, gallery and archives.
- The Craft Council will launch a full service website selling craft products directly to consumers worldwide.

Diversity within the craft industry is one of the main factors contributing to its strength. Production enterprises range from home-based operations employing just one or two individuals to larger production facilities. Craft makers in the Province specializing in one-of-a-kind works are building an international reputation in the world of craft based art.

The avenues for marketing products are broadening. Close to 200 craft and gift shops in the Province offer crafts for sale and a number of retail fairs provide craftspeople with an opportunity to sell directly to the consumer. In addition, the industry is marketing through mail order catalogues, studio tours, and the internet. Internet promotion is carried out by government and individual producers. Later this year, the industry association, the Craft Council of Newfoundland and Labrador, will launch its own website. The major markets for craft products have traditionally been tourists and Christmas shoppers, however, an increasing number of crafts are sold to corporate clients. As well, exports are increasing as more products are being shipped to customers outside the Province.

Photo: Department of Development and Rural Renewal
Attractive promotional materials highlight the quality of provincial crafts.

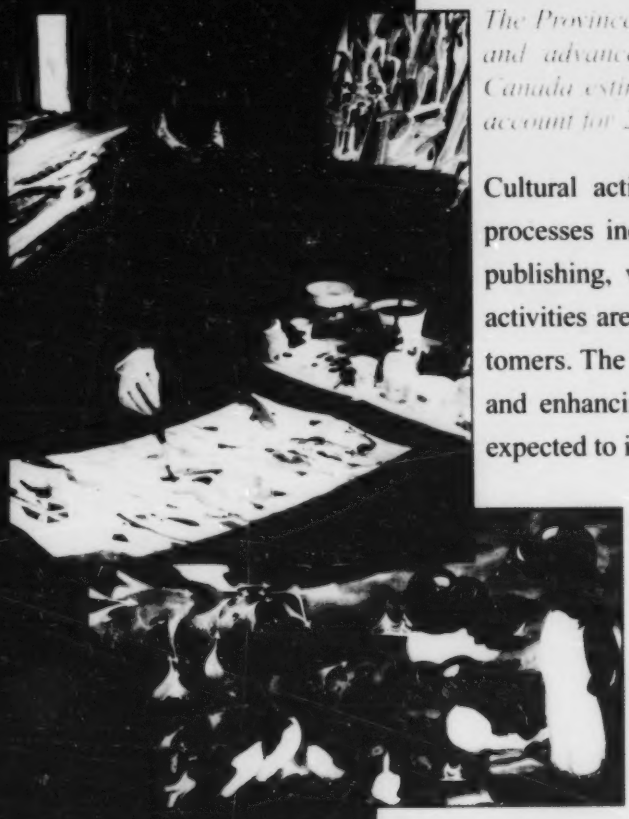
Websites: www.craftsofcharacter.com
www.craftcouncil.nf.ca

The support network for craft development is strong. The Department of Development and Rural Renewal (DDRR) and the Atlantic Canada Opportunities Agency provide financial and planning support to businesses. DDRR offers a wholesale marketing and promotion program (Crafts of Character) which includes participation in national trade shows, the publication of craft buyers' bulletins and a website for retail buyers. The Craft Council promotes professionalism and products of the highest quality through training courses, mentoring and newsletters. As well, the Council's quality assurance program provides quality standards and guidance for product design, technique and material. Professional training in metal, clay and textiles is also available through the College of the North Atlantic.

The growth experienced in the craft sector over the last decade is expected to continue as businesses develop new products and markets. The future is bright for this distinctive cultural activity that brings the creative skills of the Province's people to the world.

Photo: Exploits Oilskins Originals
The outerwear of Exploits Oilskins Originals has its roots in the garments worn by generations of fishermen. These designs have been sold in many cities outside the Province, including Boston and Seattle.

CULTURAL ACTIVITIES



Diana Dabinett in her studio. Several of Diana's larger silk painted banners adorn health care facilities in Gabarus.

The Province's rich cultural heritage reflects its identity, social vitality and advancement, and creates employment and wealth. Statistics Canada estimates that the Province's culture sector and its suppliers account for 2.5% of GDP and 3.9% of employment.

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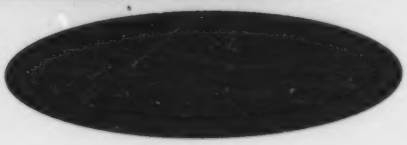

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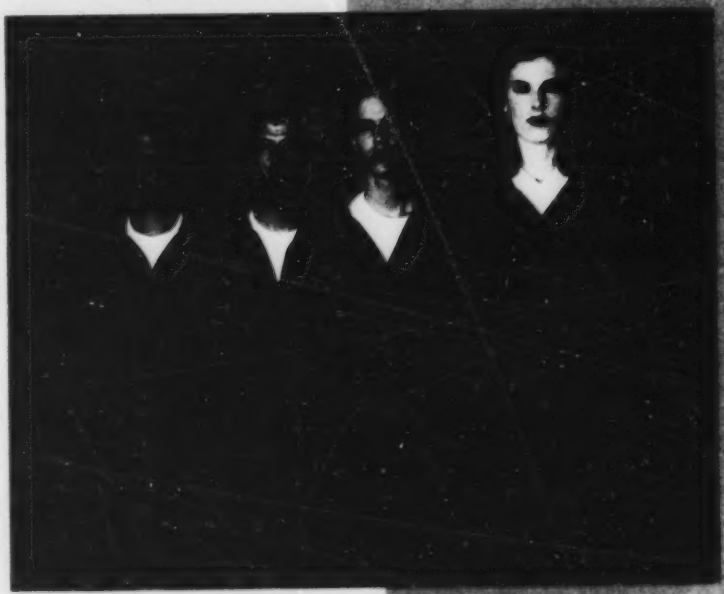

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MANUFACTURING

The value of manufacturing shipments reached a record $1.98 billion in 1999, an increase of 13.1% from 1998. Employment in the industry grew by 12% in 1999, and now accounts for 18,100 person years, the highest since 1991.

Photo: Terra Nova Partners
The first subsea templates and manifold systems to be produced at NewDock for the Terra Nova project.

Shipment value grew for each of the Province's three major manufacturing sectors in 1999—fish products, refined petroleum and newsprint. Growth was also experienced in lumber production and non-resource based manufacturing. Non-resource based manufacturing now accounts for about 40% of GDP in the sector.

A Manufacturing Focus

Over the past decade, the manufacturing industry has undergone significant change resulting from new trade and export opportunities, heightened global competition, emerging information and production technologies, increased demand for specialized labour, stricter environmental standards, and corporate re-structuring. Local manufacturers have been quick to take advantage of opportunities afforded by these and other developments, including the recent growth of the Province's oil and gas industry. Increasingly, small scale manufacturers are targeting specialized market niches and the production of intermediate goods required by larger firms.

- Shipment value is expected to rise above $2 billion, aided by increased production in resource and non-resource industries.
- Non-resource based manufacturing, lumber production, and production of value-added wood products are expected to increase.
- Increased exports to the United States and Asia.
- New export opportunities will be explored, aided by the New England Trade and Investment Strategy.

Government has put in place tax and infrastructure policies to encourage the growth and development of manufacturing. Incentives include input tax credits under the Harmonized Sales Tax, a favourable corporate income tax rate for manufacturing and processing, and a 10-year tax exemption for companies qualifying under the Economic Development and Growth Enterprises (EDGE) program. In addition, companies may be eligible for municipal tax exemptions, tax credits for manufacturing research and development, and industrial outreach programs. These incentives are complemented by the availability of world class research and training facilities at Memorial University, including the Manufacturing Technology Centre and other research institutes, and the North Atlantic Fisheries Centre. Additional industry support is provided by industry associations and various government departments.

Economic Development and Growth Enterprises

Since its inception in 1995, 67 firms have received EDGE status. Of these, 46 were manufacturing, fabrication, ship repair and environmental firms. EDGE-induced employment stands at 1,500 jobs and investment at $73 million. Seven manufacturers received EDGE designation in 1999, with a combined potential of 271 jobs. EDGE firms, such as those described below, illustrate the growth and diversity of manufacturing in the Province.

Manufacturing Firms
Receiving EDGE status in 1999

Guigné Technologies Ltd. (Paradise)
Hi-Point Industries (1991) Ltd. (Bishop Falls)
LaFarge Gypsum Canada Inc. (Corner Brook)
Newfoundland Bonding & Composites (Gander)
Ocean Import & Export Inc. (Benoit's Cove)
The Surprise Bag Ltd. (Carbonear)

- Northstar Technical Inc. of Mount Pearl received EDGE status in 1997. This firm, an electronics manufacturer and underwater communications developer, manufactures control consoles for submarines and surface ships, sonar arrays for navies, and assists in offshore petroleum seismic exploration. In 1999, the firm was awarded a $2.9 million contract by U.S.-based Lockheed Martin Underseas Systems to fabricate and test fire control missiles for the Canadian "Victoria Class" submarine retrofit project.

- True North Springs of South Brook, Hall's Bay, received EDGE status in 1999 to establish a $2 million natural spring water bottling facility. This facility is capable of producing three tractor trailer loads of bottled water daily. The Company has distribution agreements in the United States and is exploring other export opportunities.

- LaFarge Gypsum Canada Inc. acquired Atlantic Group Ltd. and Atlantic Group Resources Inc. of Corner Brook in 1998 and received EDGE status in 1999. The Company is a world leader in building materials with a global work force of 65,000 and sales of approximately $14 billion. The Corner Brook plant is comprised of two manufacturing divisions—gypsum wall board and polystyrene rigid insulation. LaFarge implemented a retrofit program in 1999 to upgrade equipment and winterize the plant to increase annual capacity.

Terra Nova Project
Drill rig Henry Goodrich being readied for workover, Terra Nova at Fluor Canada's Cow Head facility

MANUFACTURING

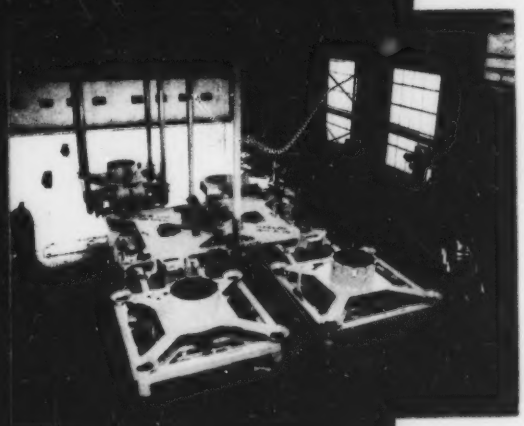

Photo: Terra Nova Project
The first subsea templates and manifold systems to be produced at NewDock for the Terra Nova project.

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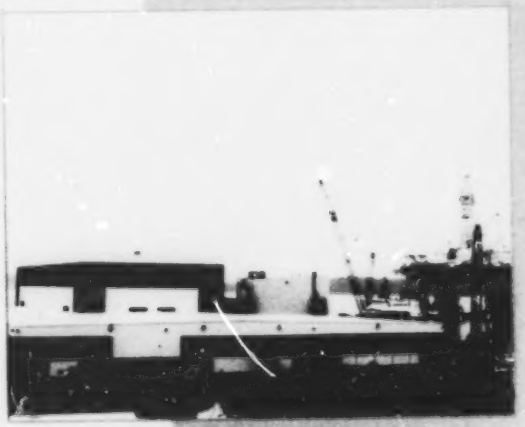

Photo: Terra Nova Project.
Drill rig *Henry Goodrich* being readied for work on Terra Nova at Freide Goldman's Cow Head facility.

ADVANCED TECHNOLOGIES

Photo: xwave solutions
The head office for xwave solutions in St. John's.

Advanced technology industries are continuing to emerge in the Province. They are characterized by high growth rates and an increasing number of public/private and inter-firm partnerships. These characteristics—together with a solid research and development base and industry support network—point toward increased capacities and capabilities and stimulate new business formation. Further growth will stem from opportunities in the oil and gas and other local industries, federal procurement, and opportunities for niche products and services in the international market.

Promoting Research & Development

The GENESIS Centre

The GENESIS Centre of Memorial University, established in 1997, helps entrepreneurs gain access to marketing, finance and management expertise, and connects them to multi-disciplinary expertise resident at the University. Firms seeking support must demonstrate entrepreneurial capability and plan to pursue an export-oriented, technology-based product or service. Support is provided for up to three years, and up to 20 clients can be accommodated at a time.

In December 1999, INNOVA Multimedia Ltd. became the first graduate from the Centre. This firm, established in 1994 and a GENESIS client for two years, provides multimedia products and services that help students learn core curriculum topics such as math, science, language, and social studies. The Centre currently has nine other clients, and expects two of these to graduate within the next six months.

Commercializing New Products

Guigné

Guigné Inc. is comprised of two subsidiary firms: Guigne International Ltd., a research and development firm specializing in acoustics, computer engineering, mathematics and marine ecology; and Guigne Technologies Ltd., a firm designed to commercialize emerging technologies. Products marketed by Guigné Inc. are based on applications of the firm's innovative patented "Smart Acoustics™" technologies or architecture known as Space-DRUMS™ (Dynamically Responding Ultrasonic Matrix System), and span the space, defence, pharmaceutical, environmental monitoring, aquaculture, and food processing industries. Space-DRUMS™, is scheduled to take off aboard the space shuttle in September 2000 where it will be used in the creation of new materials in a micro-gravity environment on the International Space Station.

Firm success in the advanced technology industries is dependent on competitiveness, research and development, innovation, creativity, international marketing and human resource development. Industry associations and agencies, such as Operation ONLINE Inc., the Newfoundland Ocean Industries Association (NOIA), the Newfoundland Association of Technical Industries (NATI), and the Newfoundland Environmental Industries Association (NEIA) assist sector development through networking and promotion, identifying business and market opportunities, and identifying human resource development needs.

Information Technology

There are over 200 information technology companies in the Province, employing 4,000 workers, and exporting goods and services to over 40 countries. Industry growth is significant: real GDP in the computer and related services industry grew almost 13% annually since 1992 and industry surveys indicate that IT employment grew by over 13% annually from 1993 to 1996 and by about 24% annually since 1996. Local firms provide a range of communications infrastructure and services as well as develop and manufacture software, telecommunications equipment, instrumentation devices and peripheral computer equipment.

Marine and Cold Ocean Technologies

This area focuses on marine geomatics, offshore oil and gas engineering, ice management, marine communications and navigation, naval architecture, resource utilization, and fisheries technology. Industry surveys indicate that 18% of Canadian marine technology firms are located in this Province, including Nautical Data International and Instrumar. Most firms in this area maintain high levels of export sales. Private sector development is supported by research and development institutes such as C-CORE, the Canadian Centre for Marine Communications and the Canadian Centre for Marine Simulation.

Environmental Technologies

This area focuses on environmental consulting and engineering, waste management, and research and development. Industry surveys indicate that there are 200 firms operating in environmental technology. These firms, including Jacques Whitford Environmental and AGRA Earth and Environmental, employ 2,000 people, and serve clients in the oil and gas, pulp and paper, and government sectors.

Defence and Aerospace

About 30 local firms are engaged in defence and aerospace procurement activities. In defence, local firms such as Terra Nova Shoes, Newfoundland Bonding and Composites and Northstar Inc. manufacture combat footwear, instrument control panels and marine and radar surveillance products. As well, they are engaged in maintenance repair and overhaul services. In aerospace, firms such as Guigué International and Newtech Instruments are engaged in micro gravity research and aeronautical robotics.

Biotechnology

Biotechnology offers significant opportunity in the Province. To date, industry development has focused primarily on research and development. However, commercial applications such as antifreeze proteins used to preserve cells, tissues and organs; antibodies used in bone marrow matching and treatment of arthritis; and health related nutraceutical products are being developed and marketed. Private sector firms include Atlantic Marine Products and Terra Nova Biotechnologies. Biotechnology research and development is ongoing through various institutes and faculties at Memorial University and the North Atlantic Fisheries Centre.

An Expanding Private Sector

Aliant

Aliant Inc. was established in June 1999 as a merger of four Atlantic Canadian telecommunications companies: NewTel Enterprises Ltd., Bruncor Inc., Island Telecom Inc., and Maritime Telegraph and Telephone Company Ltd.

xwave solutions

xwave solutions, a St. John's based Aliant subsidiary with over 1,600 professional staff, provides consulting, software engineering, systems integration, enterprise management and value-added reselling technology services to clients in telecommunications, oil and gas, and the public sector. xwave maintains seven Canadian offices and one U.S. based office. Over the past year, it has purchased Ottawa-based firms Software Kinetics Ltd. and Prior Data Sciences Ltd. In 1999, the Company was awarded Company of the Year by the Newfoundland Association of Technical Industries and won the national Canadian Youth Employment Award. xwave recently entered into an agreement with the Department of Government Services and Lands to implement an online personal property registration system to allow individuals and institutions to record their financial interest in personal property.

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Stratos Global Corporation, a St. John's-based Aliant subsidiary, is a remote communications solutions provider offering a diverse portfolio of communications services to users working in a variety of maritime and land industries. The firm was recently awarded a long-term US$48-million contract by the U.S. Navy to provide INMARSAT-B high speed data lease services.

ADVANCED TECHNOLOGIES

Photo: xwave solutions
The head office for xwave solutions in St. John's

The Province's advanced technology sector is building a reputation for excellence and competitiveness in niche areas such as telecommunications, marine and cold ocean engineering, environmental and remote-sensing technologies, telemedicine and marine biotechnology.

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NEW ENGLAND TRADE AND INVESTMENT STRATEGY

Quick New England Facts

- Includes the states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
- Total population of 13.5 million.
- Urban population of 11.3 million (84% urbanization rate).
- Real per capita personal income in 1998 was $28,250 (1992 US$).
- Three New England states rank among top seven states in terms of real per capita personal income, including Massachusetts (first), Connecticut (third) and New Hampshire (seventh).
- Daily flights from St. John's to Boston and St. John's to Hartford.
- Labour force growth was 0.6% in 1999, compared to 4.1% for this Province.

Government, through the Department of Industry, Trade and Technology, recently announced the New England Trade and Investment Strategy. This forward-looking strategy is designed to optimize export opportunities and attract investment from the New England States with a view to creating jobs and wealth in Newfoundland and Labrador. Initially, the focus of the strategy will be Massachusetts and Connecticut.

Why New England?

Increasing business costs, full employment, and the lack of an available skilled workforce are forcing many New England-based firms to import goods and expand operations to other jurisdictions. A cost-effective business environment, and an available and well-trained work force will allow Newfoundland and Labrador to take advantage of these opportunities in 2000 and beyond.

Trade and Investment Events 2000

- New England trade seminars offered throughout the Province.
- Attendance at Bio 2000 (biotechnology trade show in Boston, March 25-28, 2000).
- Participation in Team Atlantic Trade Mission to Connecticut, Massachusetts and Rhode Island (joint with other Atlantic provinces, May 7-12, 2000).
- New England Food Promotion 2000 in Boston (March 27, 2000).
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KPMG Investment Surveys

The Province is actively seeking investment from New England firms. Both the 1998 and 1999 KPMG surveys indicated that St. John's is one of the most cost-effective places in the world to do business, ranking ahead of Boston and five other Canadian locations near the New England region, including Halifax, Moncton, Charlottetown, Montreal and Toronto. St. John's placed second overall in the 1999 survey and first overall in 1998. The study calculated total business costs, including location-sensitive costs such as labour, electricity, taxes and transportation, for seven manufacturing industries (electronics, telecommunications equipment, medical devices, food processing, plastic products, metal fabrication, and pharmaceu-

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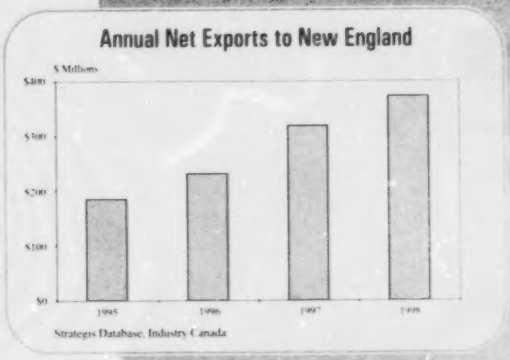
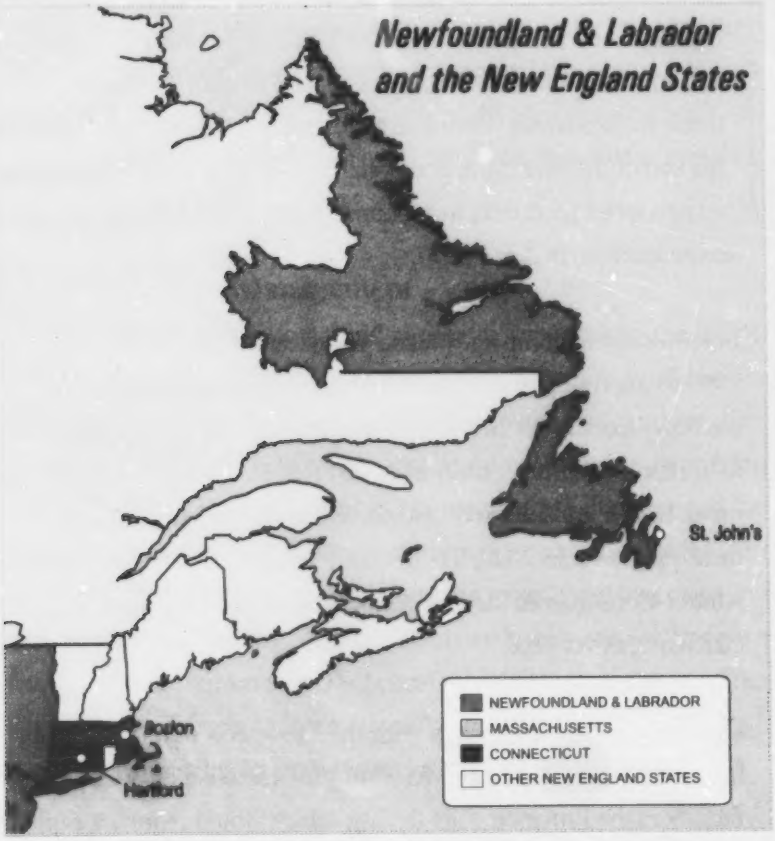
Targeted Sectors

The Province is focusing its efforts on key industry sectors in the New England region including information technology, environmental products and services, biotechnology, manufacturing, and consumer goods. Pending future development, New England is also a potential market for natural gas.

The New England Trade and Investment Strategy is based on a partnership approach between the provincial and federal governments, the private sector, and industry associations to maximize trade and investment opportunities. The goal is a new and exciting business promotion in the New England marketplace through trade missions, promotional campaigns and other planning initiatives.



Trade with New England is increasing. Key exports from this Province include iron ore, newsprint, refined petroleum, crude oil and fish products.



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- The unemployment rate for the Province in 1999, for those workers with a post secondary certificate or degree was 12%. This indicates that the Province has a relatively large and available skilled labour pool.
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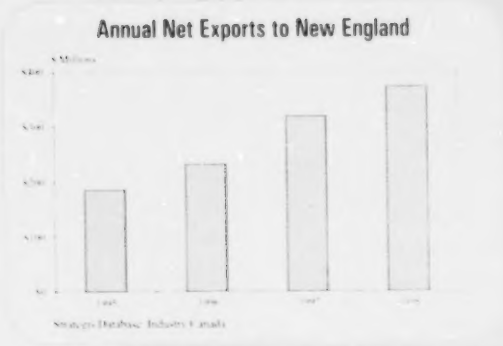

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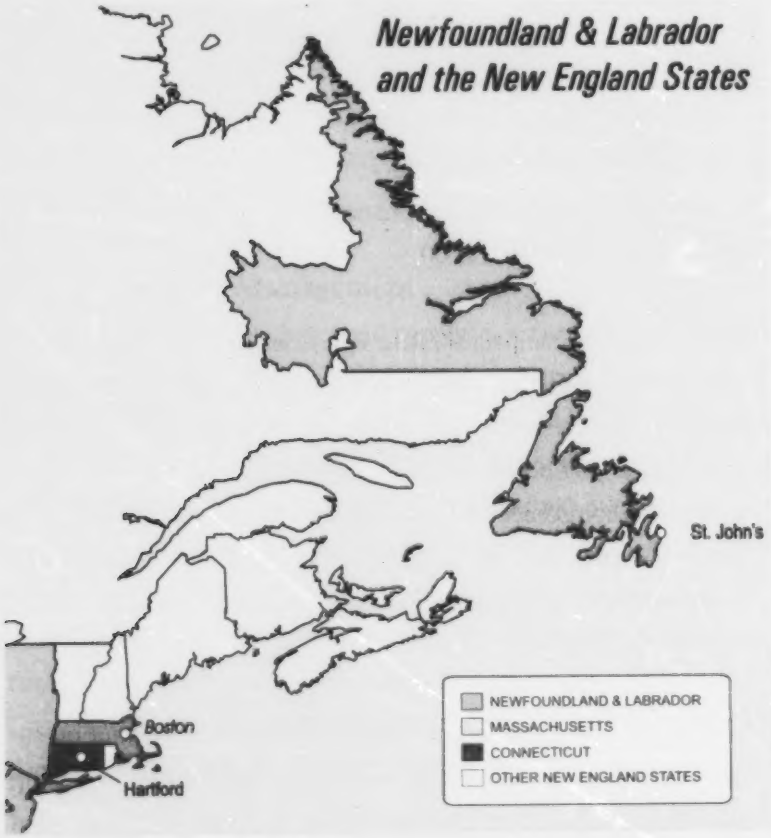

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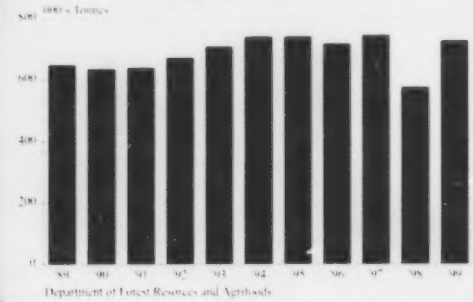
FORESTRY

Photo: Department of Forest Resources and Agrifoods
Growing seedlings for silviculture program

Newsprint

Newsprint shipments totalled 722,000 tonnes in 1999, an increase of 27% from 1998. Shipments in the past two years were lower than the record level of 740,900 tonnes set in 1997 due to the five month strike at Abitibi-Consolidated in 1998, and the one month strike at Corner Brook Pulp and Paper in 1999. The capacity of the Province's pulp and paper mills is about 784,000 tonnes annually, split evenly between the two companies. Major collective agreements have been renewed at both companies, enabling stable production over the next several years.

Newsprint Shipments



Department of Forest Resources and Agrifoods

The estimated value of newsprint shipments in 1999 was $550 million, an increase of 9% from 1998. Lower newsprint prices prevented value from rising as much as volume. Newsprint prices in 1999 were at their lowest since 1994, due to excess supply in the world market. Prices averaged US$509 per tonne, a decrease of almost 15% from 1998. Prices dipped to a low of US$470 per tonne in September 1999 but increased to US$515 per tonne by the end of the year. Stronger global economic growth has prompted newsprint producers to announce plans for a further US$50 per tonne increase in April 2000.

Both newsprint companies made significant capital investments in 1999 to improve their infrastructure, operations and productivity in the Province. Corner Brook Pulp and Paper invested $28 million in its mill and Abitibi-Consolidated invested $24.5 million at its two mills. Both companies will also engage in significant capital investment programs in 2000. The recently announced merger between Abitibi-Consolidated and Donahue will likely lead to additional efficiencies over time.

Government, in conjunction with the Province's newsprint manufacturers, is examining the feasibility of establishing a de-inking facility in the Province. This facility, which would require a capital

Outlook for 2000

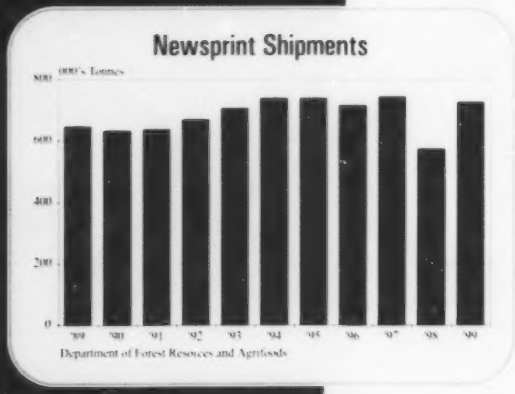
- Volume of newsprint shipments expected to approach 1997 level.
- Newsprint prices expected to increase driven by high economic growth in the U.S., Asia and Europe.
- Lumber production to increase to a record 115 million board feet, driven by export demand.

FORESTRY

Growing seedlings for silviculture program

Newsprint

Newsprint shipments totalled 722,000 tonnes in 1999, an increase of 27% from 1998. Shipments in the past two years were lower than the record level of 740,900 tonnes set in 1997 due to the five month strike at Abitibi-Consolidated in 1998, and the one month strike at Corner Brook Pulp and Paper in 1999. The capacity of the Province's pulp and paper mills is about 784,000 tonnes annually, split evenly between the two companies. Major collective agreements have been renewed at both companies, enabling stable production over the next several years.



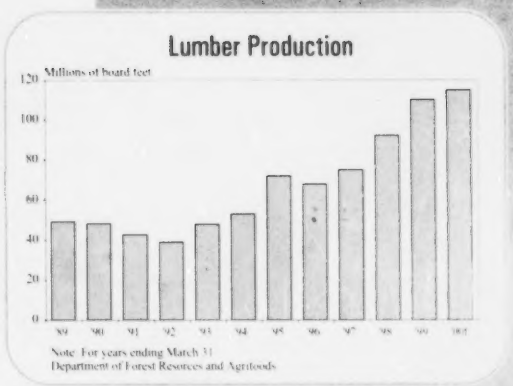
The estimated value of newsprint shipments in 1999 was $550 million, an increase of 9% from 1998. Lower newsprint prices prevented value from rising as much as volume. Newsprint prices in 1999 were at their lowest since 1994, due to excess supply in the world market. Prices averaged US$509 per tonne, a decrease of almost 15% from 1998. Prices dipped to a low of US$470 per tonne in September 1999 but increased to US$515 per tonne by the end of the year. Stronger global economic growth has prompted newsprint producers to announce plans for a further US$50 per tonne increase in April 2000.

Both newsprint companies made significant capital investments in 1999 to improve their infrastructure, operations and productivity in the Province. Corner Brook Pulp and Paper invested $28 million in its mill and Abitibi-Consolidated invested $24.5 million at its two mills. Both companies will also engage in significant capital investment programs in 2000. The recently announced merger between Abitibi-Consolidated and Donahue will likely lead to additional efficiencies over time.

- Volume of newsprint shipments expected to approach 1997 level.
- Newsprint prices expected to increase driven by high economic growth in the U.S., Asia and Europe.
- Lumber production to increase to a record 115 million board feet, driven by export demand.

Government, in conjunction with the Province's newsprint manufacturers, is examining the feasibility of establishing a de-inking facility in the Province. This facility, which would require a capital

investment of at least $60 million, would transform waste paper into a pulp product. The product could then be utilized in the paper making process. This technology is in use throughout the world, including 23 facilities in Canada, serving to reduce the pressure on forest resources.



Lumber Production

The volume of lumber production in 1998/1999 hit an all-time high of about 110 million board feet, an increase of 11% from the previous year. Almost 50% of this lumber is shipped outside the Province demonstrating industry competitiveness and generating new economic activity. Production has doubled over the past six years, driven by export markets, firm consolidation, efficient resource use and practices, and increased opportunities for value-added products. Over 3,000 people are employed on a full-time or part-time basis in the lumber industry.

Value Added Production

Secondary processing of wood products has increased over the past several years. Today, there are 15 wood product manufacturers in the Province that utilize locally produced lumber, as compared to three manufacturers a decade ago. Wood products from 11 of these manufacturers were exhibited at trade shows in 1999, featuring flooring, kitchen cabinets, furniture, moulding, paneling and garden products.

Forest Resource Management

Maintaining and enhancing wood supply is important to the sustainability and growth of the forest industry. Government is pursuing policies targeted at fuller utilization of forest resources: encouraging fibre exchange agreements between newsprint mills and sawmills; silviculture initiatives including planting, pre-commercial thinning and land reclamation; and using waste products to generate electricity. Also, newsprint producers are importing recycled paper and wood chips from outside sources. Abitibi-Consolidated recently became the Province's first woodland division to be ISO certified. This independent certification means the Company is adhering to internationally-recognized quality and environmental standards for harvesting forestry resources.

Photo: Department of Forest Resources and Agrifoods
Locally produced wood products.

MINING

Reduced demand in key markets resulted in a 24% decline in the value of mineral shipments to $853 million in 1999. A strong rebound is expected this year.

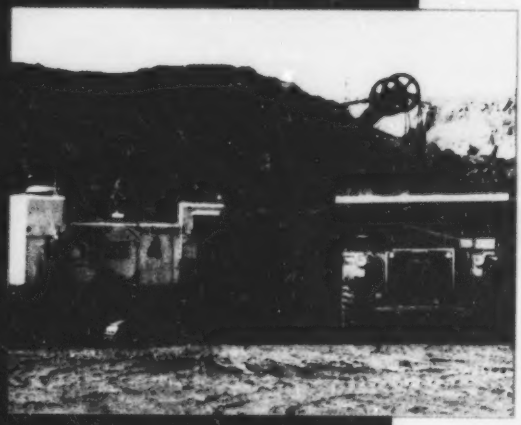


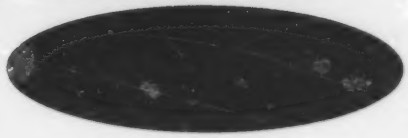
Photo: Wabush Mines
Open-pit mining at Wabush Mines.

Iron Ore

Price and volume reductions for iron ore, which typically account for over 90% of the Province's mineral shipments, were the major cause of the decline in mineral shipment value and employment last year. Improvements in the North American, European and Asian steel industries in 2000 are expected to boost demand and enable prices to rise by between 5% and 7%. Iron ore shipments are anticipated to recover to near 1998 levels. The Iron Ore Company of Canada (IOCC) and Wabush Mines continue to make significant capital investments designed to increase the capacity and efficiency of their operations in the Province. IOCC is in the midst of a multi-year investment program, spending $650 million on improvements to its Labrador West operations. Capital improvements at Wabush Mines in 1999 increased its capacity by 17%.

Gold

Gold is the Province's second most significant mineral. The value of gold shipments in 1999 declined due to lower market prices and reduced production. Shipment value is expected to rise by 3.2% in 2000 due to increased production at Richmont Mines' Nugget Pond mine on the Baie Verte Peninsula.



- Both iron ore companies will invest to improve their productive capacities.
- Iron ore production and prices to increase significantly.
- Gold production to increase.
- Inco will continue its surface exploration program at Voisey's Bay.
- Nickel prices to remain above US $3.50/lb.

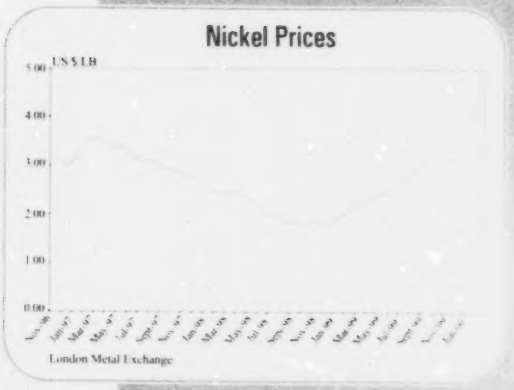
Structural Minerals

Structural minerals such as cement, sand and gravel, aggregate stone, dimension stone, limestone and brick, are used in construction and manufacturing. The value of structural minerals declined marginally in 1999 due to reduced production of limestone and dimension stone. These minerals, while small in terms of shipment value, add employment and diversity to local economies.

Exploration and Development

Exploration expenditures surged following the discovery of the Voisey's Bay deposit in 1994 and peaked in 1996 at $93 million. Reduced nickel exploration in Labrador, however, brought total expenditures down to $33 million in 1999. Spending is

expected to drop further to $23 million in 2000; however, this is still well above historical levels recorded prior to the exploration boom triggered by the Voisey's Bay discovery.



Government is moving to ensure the continued success of the mining industry by supporting mineral exploration and facilitating commercial development. Government began funding in 1999 for a multi-year $12 million Mineral Exploration Program to facilitate increased exploration and assist junior mining companies. This program is cost-shared with industry. Progressive legislation was also passed that establishes clear responsibilities and obligations for both government and operators, and formalizes practices related to the orderly planning, development, operation, rehabilitation and closure of mines.

Voisey's Bay

Progress has been mixed on Voisey's Bay, one of the richest, lowest-cost nickel deposits in the world. The mine/mill project was released from the joint federal-provincial environmental assessment process in August 1999, and progress was made in the negotiation of impact and benefit agreements (IBA) between Inco, the Innu Nation and the Labrador Inuit Association. Nickel prices rebounded from US$1.94/lb in January 1999 to US$4.38 in February 2000. Despite this progress, talks between Inco and the Province were suspended in January 2000. Inco had proposed construction of a pilot facility to test a new hydrometallurgical processing technology but would not commit to full processing in the Province in the event that this technology did not prove viable. Government maintains the position that full processing of nickel concentrate must occur within the Province.

Share of 1999 Mineral Shipment Value

	Percent
Metals	**94.0%**
Iron Ore	92.0%
Gold	2.0%
Industrial Minerals	**1.3%**
Structural Minerals	**4.7%**

Note: Industrial Minerals include antimony, barite, dolomite, gypsum, peat & pyrophyllite.

Department of Mines & Energy; Economics & Statistics Branch, Department of Finance

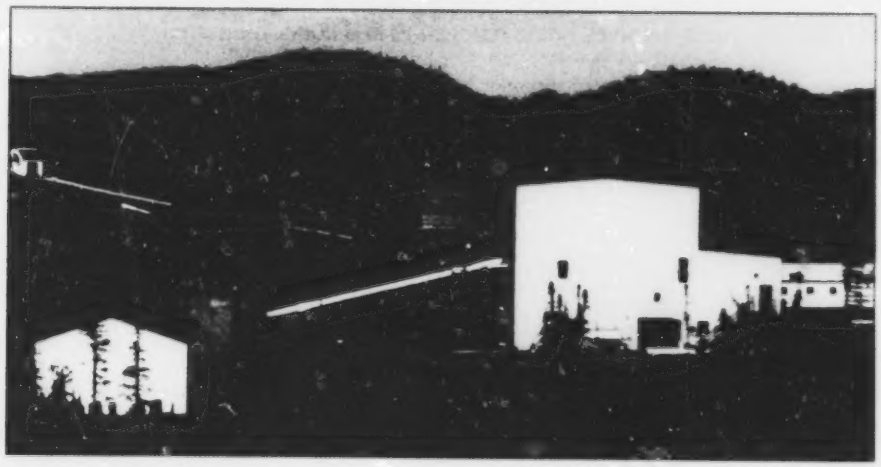


Photo: Richmont Mines
Nugget Pond Gold Mine on the Baie Verte Peninsula.

MINING

Photo: Wabush Mines
Open-pit mining at Wabush Mines.

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Outlook for 2000

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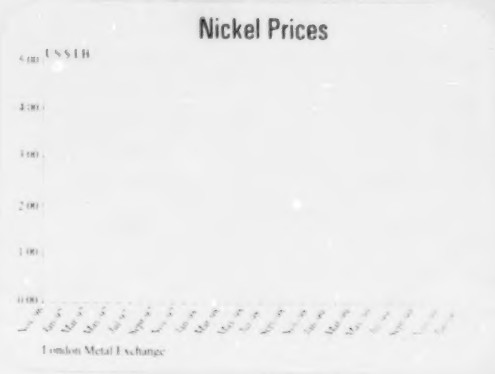

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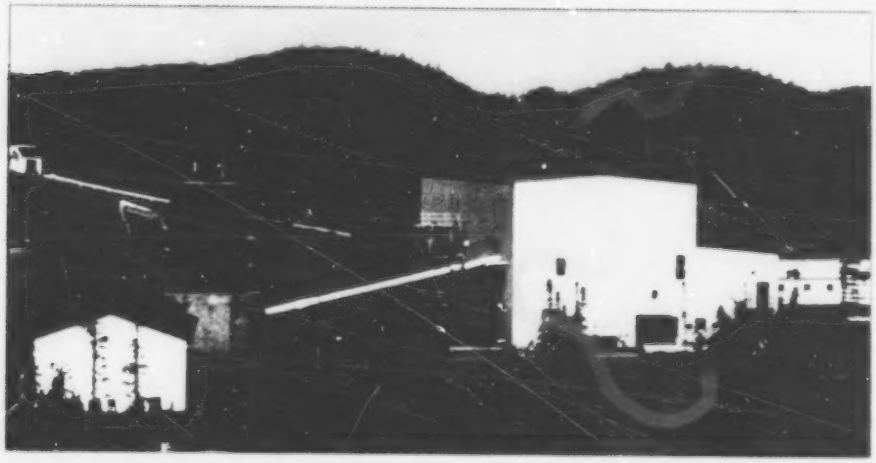

Photo: Richmont Mines.
Nugget Pond Gold Mine on the Baie Verte Peninsula.

CONSTRUCTION

Photo: Department of Works, Services and Transportation
Trans Labrador Highway

Non-Residential Construction

Private sector investment increased by 27% to $2.2 billion in 1999, led by the oil industry's Terra Nova project and expansion of the Whiffen Head Transshipment facility. Employment on Terra Nova averaged 1,000, up from 210 in 1998. Other major private non-residential investments in 1999 related to manufacturing, retail trade and tourism.

Public sector construction investment, valued at $423 million, included an array of infrastructure such as hospital and school facilities, municipal water and sewer systems, and transportation networks and facilities. Major transportation projects included upgrading of the Trans Canada Highway, and construction of the Trans Labrador Highway and major by-pass roads. Additional developments included upgrading of harbour facilities, ferry terminals, and airport facilities. The Davis Inlet to Sango Bay re-location program continued in 1999, employing on average 30 local workers at any given time. For a comprehensive listing of major projects, see the *Major Projects* section.

Outlook for 2000

- Activity to be maintained at high level despite decline in construction investment of 8.5%.
- Housing investment to increase by 5.7% to $526 million.
- $550 million in expenditures at Terra Nova.
- Major infrastructure programs continue (schools, hospitals, transportation and municipal works).
- Expenditures of $57.5 million on the Trans Labrador Highway to allow for access from Red Bay to Mary's Harbour.
- Increased private sector investment in the retail and tourism sectors.

Residential Construction

Total housing related capital investment in 1999 was $498 million, an increase of 9.5% from 1998. About three-quarters of housing investment involves home renovation and condominium development.

Single unit housing starts increased to 1,233 in 1999, an increase of almost 14% from 1998. Urban centres (the St. John's Census Metropolitan Area and the Corner Brook, Gander, Grand Falls-Windsor, and Labrador City Census Areas) accounted for 803 of these units, an increase of 38% from 1998, and rural areas accounted for 430 units, a decrease of 15%. Overall, new starts totalled 1,371 in 1999, a decline of 5.4% from 1998. This decrease is attributable to a fall in multiple unit starts (e.g., apartment units, houses with basement apartments).

CONSTRUCTION

Construction activity increased significantly in 1999, led by an increase of 28.9% in construction investment. Gains were broadly-based, encompassing non-residential, residential, and public infrastructure projects. The value of building permits increased in 1999 in most major centres in the Province. Construction employment averaged 11,000, an increase of 21% from 1998.

Photo: Department of Works, Services and Transportation
Trans Labrador Highway

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Trans Labrador Highway

In 1997, the Province started construction of the Trans Labrador Highway. This $190 million gravel highway will provide coastal Labrador residents from Red Bay to Cartwright with a road transportation system and will see an upgrade of the existing Happy Valley-Goose Bay to Labrador City Highway. The Highway will improve tourism opportunities and facilitate future developments in the fishing, mining and forestry industries (see map on page 13).

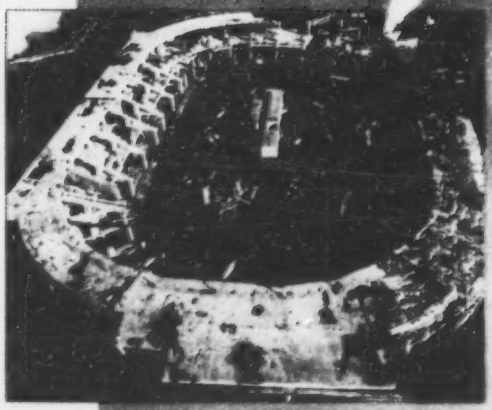
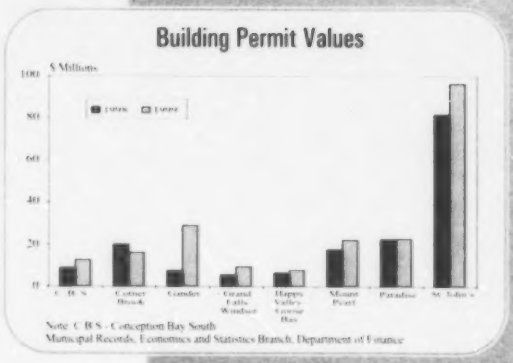


Photo: Crocker Photography.
Construction of the St. John's Civic Centre.

Phase I of the project consisted of upgrading the existing road from Happy Valley-Goose Bay to Labrador City. This phase was completed in 1999 at a cost of $57 million. Phase II commenced in 1999 and consists of a 380 km highway from Red Bay to Cartwright. This phase will be completed by 2002 at a cost of $133 million. About $30 million of this cost was expended in 1999. Government is committed to completing "The Great Circle Route" with a link from Cartwright to Happy Valley-Goose Bay (Phase III), and is seeking funding assistance from the federal government.



New Terminal at St. John's Airport

The St. John's International Airport Authority is spending $48 million from 1999 to 2002 on infrastructure improvements. There will be a major renovation and expansion to the terminal building and reconstruction of the main runway in order to accommodate larger airplanes and increased passenger traffic. The terminal will be three times its current size and will include an observation deck and viewing gallery, more jet bridges, covered walkways to parking facilities, larger commercial areas and increased space for virtually all aspects of airline operations.

Artist: N. Mills
Artist rendition of new Janeway Hospital, St. John's

WINE-MAKING AND MICRO-BREWING

Photo: Dr. Hans Rodrigues
Markland Cottage Winery is located in the former Whitbourne Cottage Hospital

The demand for specialty alcoholic beverages is growing as changing consumer tastes, among baby boomers in particular, are influencing industry trends. This population group tends to be more health conscious and enjoys specialty products designed for consumption with meals. As tourists, this group, seeks regionally unique and cultured products such as wines made from locally grown and native berries. Specialty wine and beer producers in the Province have identified and are taking advantage of opportunities in the wine-making and micro-brewing industry. They are focusing their efforts, for the most part, on niche markets in the tourism sector, and in the local market's desire for pure and preservative-free products.

Wineries

Three companies currently produce and sell specialty small fruit and rhubarb wines in the Province. Last year, combined production was estimated at 330,000 bottles. The outlook appears to be bright for the industry with expanding product lines and all producers expecting increased production for 2000.

Markland Cottage Winery was the forerunner in this industry in the Province—it began making blueberry wine in 1993 at Whitbourne. The Company has since expanded its product line to include a dry blueberry wine as well as partridgeberry, barrens blend (a partridgeberry and blueberry combination), bakeapple, plum, strawberry, and pear wines. The Company sells its products nationally and internationally under the trade name *Rodrigues*. All *Rodrigues* wines are Kosher/Pareve certified which enables the Company to target Jewish communities in Toronto and New York. There are only two other wineries in North America that have this certification.

Weil Winery Limited, in Twillingate, began operations in 1998. Its first vintage, strawberry wine, was produced from locally farmed berries. The Company has since expanded and now produces 10 different wines including: cherry, blueberry, damson, dogberry, partridgeberry and rhubarb. The product sells under the trade name *Notre Dame Wines* and is marketed locally and in Ontario. The Company plans to expand its market within Canada and internationally.

Flynn's Winery of Shoal Harbour, which opened in 1997, produces blueberry and rhubarb wine. The product, which sells under the trade name *Flynn Winery*, is sold in local markets. This year the Company plans to expand into the Maritimes.

Photo: Winston Jennings Weil Winery Ltd.
Weil Winery is located in a former schoolhouse in Twillingate.

Micro-Breweries

Six companies produce and sell beer in the Province. While *Molson Breweries* and *Labatt Breweries* are the largest producers, four micro-breweries have started production in recent years. Last year, micro-breweries produced the equivalent of 1.3 million bottles in Newfoundland. Production is expected to increase in 2000. Micro-brewing is becoming increasingly popular across the country. In 1998, there were 54 micro-breweries in Canada, more than double the number a decade earlier. Some produce and sell through retail outlets while others brew products for sale through their pubs and restaurants.

Quidi Vidi Brewing Company opened in 1996 in a restored fish processing plant in St. John's. Products now include 1892 Ale, Northern Lite, Northern Lager, Krick Cherry, Hibernia, and Mummers' Christmas beer. The Company markets its products locally and produces special brews for local restaurants.

STORM BREWING in Newfoundland Ltd. was founded in 1995. The craft brewery produces traditional British style and specialty ales including: Kyle Mild, Killick Pale and Hemp Ale. The Company cites the tourist trade and the vibrant pub scene in St. John's as the key markets for its products. *STORM BREWING in Newfoundland Ltd.* has garnered international attention in its efforts to become North America's first ecobrewery.

Brew-pubs and Restaurants

Fog City, established in 1997, currently produces Fog City Classic Ale, Wheat Ale, Red Ale and Brown Ale. The products are only sold at the Company's restaurant/pub in St. John's.

Duke of Duckworth established in 1989, started beer production in 1997. They produce one product, Duke's Own, for sale at the Company's pub in downtown St. John's.

Iceberg Vodka

Iceberg vodka is produced by the Newfoundland Liquor Corporation, and is marketed nationally and internationally by the *Canadian Iceberg Vodka Corporation*. This is the only vodka produced using iceberg water. The icebergs are 12,000 years old and the water is the purest and clearest available. In 1995, the *Canadian Iceberg Vodka Corporation* was the first firm in the Province to receive EDGE status. Canadian Iceberg Vodka was awarded the gold medal at the International Beverage Tasting Institute's 1998 World Spirits Championships.

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AGRIFOODS

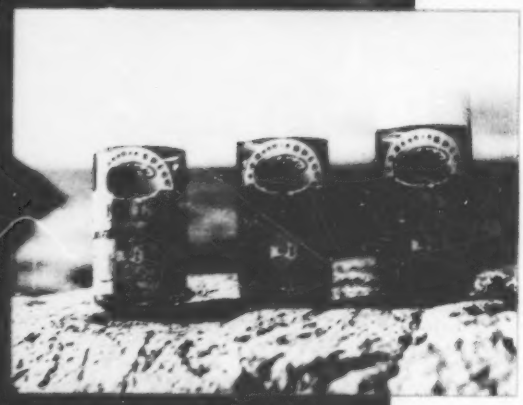
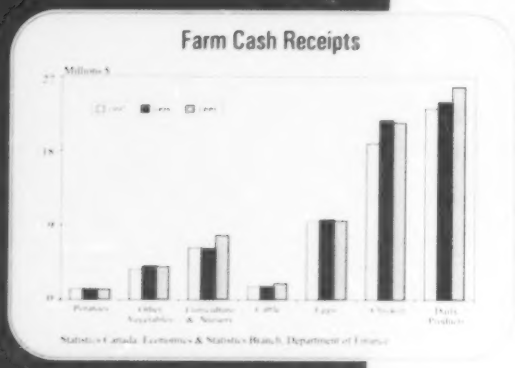


Photo: Newfoundland Aqua Products Inc.
Food spices produced from kelp.

Farm cash receipts in the Province in 1999 reached $78 million, an increase of 5.4% from 1998. Growth was broadly based, with substantial increases in sales of cattle (27%), floriculture and nursery products (26%) and dairy products (8%). Gardening is becoming more popular in the Province, as evidenced by the 26% increase in sales of floriculture and nursery products to $7.7 million in 1999.



Organic Product Development

Newfoundland and Labrador is recognized throughout the world as having a pristine environment ideal for the production of organic products including medicinal herbs and other nutraceuticals. Production of certified organic foods is growing by over 20% per year in the United States due to increasing concerns about the effects of fertilizers, pesticides and genetically altered foods. Six organic farmers in the Province are certified as high quality producers by the international Organic Crop Improvement Association and another two are seeking certification.

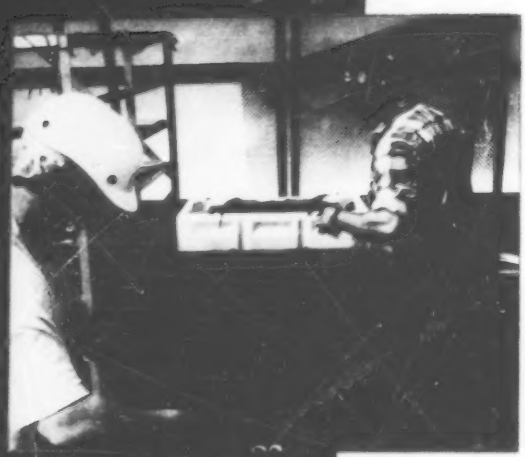


Photo: Newfoundland Aqua Products Inc.
Processing of local kelp resource.

The Province's wide variety of trees, shrubs, weed herbs, vegetation, ground covers, bog plants and seaweeds is allowing for the commercial production of medicinal herbs and related products. One local company taking advantage of this emerging market is Newfoundland Aqua Products Incorporated (NAPI). Founded in 1996, NAPI manufactures a variety of certified organic products including spices, nutritional supplements, and animal feed from the Province's abundant kelp resource. Kelp is an excellent source of minerals, such as iodine. Iodine allows for the proper functioning of the thyroid gland and aids in the treatment of obesity, heart disease and other health problems. NAPI's main product is Sea-Vite™ capsules which is the only certified organic kelp nutritional supplement in North America. NAPI is establishing marketing links with distributors across Canada and internationally.

Major Projects

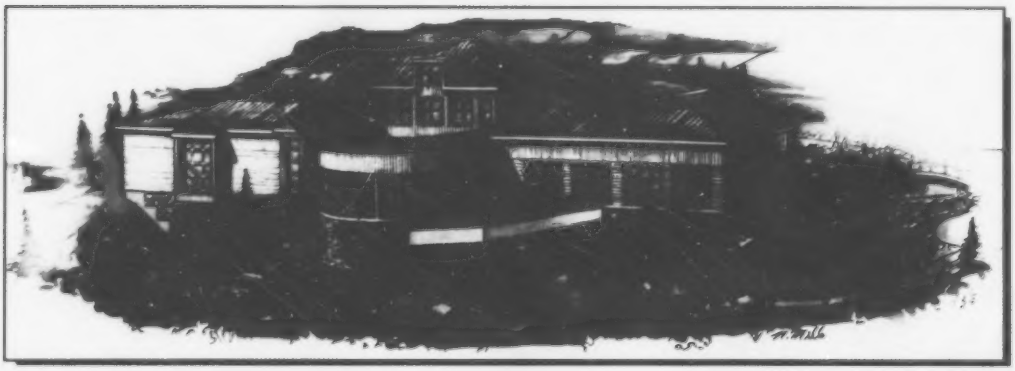
Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
COMMERCIAL/RESIDENTIAL				
Adult Community Living	50.0	1996/08	19	Karwood Estates - self-contained adult (40+) community including houses, apartments, recreational infrastructure, medical facilities and retail space. Situated on a 73 acre development. $2 million to be spent in 2000-2001. (Paradise)
Building Development	1.5-2.0	2000	19	Reardon Construction and Development Ltd. - development of three commercial buildings. (St. John's)
Commercial Plaza	11.0	1998/00	19	Summerville Development Corp. - (Reardon Construction and Development Ltd. and Power Management Inc.) - Summerville Condominiums, expenditures include site redevelopment and construction of condominiums and commercial space. Approximately $1.1 million left to spend. (St. John's)
Condominium Development Extension	2.0	2000/01	19	Reardon Construction and Development Ltd. - construction of 17 seniors' condominiums at West View Village. (St. John's)
Furniture Store	1.0	1999/00	12	Cohen's Home Furnishings - construction of a new store. (Grand Falls-Windsor)
Hotel Construction	5.0	2000/01	19	Howard Johnson Ltd. - construction of a 120-125 room hotel with indoor pool and restaurant. (St. John's)
Hotel Construction	1.5	2000	19	Regal Realities Ltd. - construction of a hotel on the 3rd and 4th floors of the Murray Premises. (St. John's)
Hotel Renovations	5.0	1999/00	19	Fortis Properties Corp. - construction of two additional stories to the Holiday Inn. Includes 64 executive suites and 2,000 sq. ft. of banquet space. (St. John's)
Housing Projects	7.7	2000/03	1	Includes new residential construction and renovations to address region's housing needs. Provincial funds. (Northern Labrador Coastal Communities)
Maintenance/Office Building	1.5	2000	19	St. John's Port Authority - construction of a new combined maintenance/office building to accommodate equipment repair and offices for Oceanex. (St. John's)
Newfoundland and Labrador Housing - Housing and Development	9.0	2000/01	N/A	Newfoundland and Labrador Housing Corporation - includes $5 million in non-profit housing modernization, and $4 million in land development. (Various Locations)
Relocation of Inuit Community	110.0	1997/01	1	Relocation of Davis Inlet. To date $47 million has been spent. Federal funds. $35 million anticipated for the 2000 construction season. (Sango Bay)
Retail and Office Building Renovations	3.0	1999/00	19	Martek Morgan Finch Inc. - renovations to Atlantic Place include the replacement of the existing food court with a family restaurant, new roof, air conditioning and renovations to the 8th floor. (St. John's)

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
Retail Outlet	5.5	1999/00	17	Canadian Tire Corporation - construction of a new store. (Carbonear)
Retail Outlet Reconstruction	5.0	1999/00	19	Canadian Tire Corporation - extensive reconstruction of existing store on Elizabeth Avenue. (St. John's)
Seniors' Complex	4.0	1996/01	14	Central Seniors Developments Ltd. - project includes the construction of condominiums and apartments as well as general use rooms for all occupants. (Gander)
Seniors' Personal Care Home	2.4	2000	19	Reardon Construction and Development Ltd. - construction of a new Seniors' Personal Care Home at the Old Colony site, Portugal Cove Road. (St. John's)
EDUCATION				
College Refurbishment	2.1	2000/01	8	Memorial University of Newfoundland - includes exterior refurbishment and general upgrading of Sir Wilfred Grenfell College - Corner Brook Campus. Provincial funds. (Corner Brook)
Exhibition Centre	4.0	2000/01	8	Memorial University of Newfoundland - construction of a new exhibition centre at Sir Wilfred Grenfell College - Corner Brook Campus. (Corner Brook)
Field House Complex and Link to Aquarena	9.6	2000/01	19	Memorial University of Newfoundland - this facility will contain state-of-the-art health, fitness and recreational equipment and related infrastructure. Memorial University Opportunity Fund and Provincial Government 50/50 cost-shared. (St. John's)
Relocation of Medical Lab	6.0	2000/01	19	College of the North Atlantic - relocation of the Medical Lab Program from the Topsail Road Campus to the Prince Philip Drive Campus. Provincial funds. (St. John's)
School Construction	125.0	1997/01	N/A	Activity includes the construction of new educational facilities and renovations, extensions and purchasing equipment for existing facilities. Funded provincially through the Newfoundland and Labrador Education Investment Corporation. (Various Locations)
Student Residences	7.5	2000/01	8	Memorial University of Newfoundland - construction of residences (300 beds) for Sir Wilfred Grenfell College. Provincial contribution of $3.0 million. (Corner Brook)
ENVIRONMENTAL				
Environmental Clean-up	81.0	1996/05	18	Clean-up of the former U.S. Naval Facility. $15 million in 2000-2001. Federal funds. (Argentia)
Environmental Clean-up	2.4	1998/02	9	Clean-up of provincial jurisdiction of former Harmon Air Base property in Stephenville. $1.5 million in 2000-2001. Provincial funds. (Stephenville)
Environmental Clean-up	2.0	2000	9	Phase II - project involves treatment of contaminated soil at the former U.S. radar site at Table Mountains. Federal funds. (Stephenville)

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
Environmental Improvements	70.0	1999/04	15	North Atlantic Refining Ltd.- environmental improvements including reducing sulphur dioxide emissions. (Come-by-Chance)
Environmental Restoration and Clean-up	10.0 - 14.0	2000/02	10	Clean-up and restoration of the former Hope Brook Gold Mine site. Provincial funds. (Hope Brook)
Primary Treatment Plant	85.0	2000/03	19	Construction of a primary sewage treatment plant for St. John's Harbour. Pending funding approval from various levels of government. (St. John's)
FORESTRY				
Forest Resource Roads	2.0	2000/01	N/A	Construction of forest resource roads on Crown land for use by commercial and domestic operators. Provincial funds. (Various Locations)
Paper Mill Expenditures	6.7	2000	12	Abitibi-Consolidated Ltd. - various projects. (Grand Falls-Windsor)
Paper Mill Expenditures	7.8	2000	9	Abitibi-Consolidated Ltd. - various projects. (Stephenville)
Paper Mill - Woodlands Expenditures	27.7	2000	8	Corner Brook Pulp and Paper Ltd. - various projects including $3.6 million for woodroom modernization and forest access roads. (Corner Brook)
Woodlands Expenditures	1.6	2000	N/A	Abitibi-Consolidated Ltd., Grand Falls-Windsor and Stephenville Divisions - various projects, including construction of bridges and roads. (Various Locations)
HEALTH CARE/LONG TERM CARE FACILITIES				
Health Care Facilities	141.7	1995/04	N/A	Funding covers a variety of construction and redevelopment projects throughout the Province. Expected expenditures for 2000-2001 are $35.8 million. Funded through provincial funds, Business Immigration Program and savings financing. (Various Locations)
Health Care Related Facilities	5.0	2000/01	19	Health Care Corporation of St. John's - various projects including new Janeway Hostel and utilities annex. (St. John's)
Hospital	30.0	1997/00	3	A new hospital to replace the Melville Hospital in Happy Valley-Goose Bay. 50/50 Provincial/private (Voisey's Bay Nickel Company) funds. (Happy Valley-Goose Bay)
Redevelopment of St. John's Hospitals	130.0	1996/01	19	Health Care Corporation of St. John's - a variety of projects including renovations to the Health Sciences Centre and St. Clares Mercy Hospital, construction of new Janeway Hospital for children and related expenditures. Expected expenditures in 2000-2001 are $22 million. Funded through savings realized by consolidation of hospital services. (St. John's)

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
INDUSTRIAL/MANUFACTURING				
Brewery Upgrade	3.0	2000/01	19	Labatt Breweries Company Ltd. - investment in brewery infrastructure. (St. John's)
Building and Site Renovations	1.2	1999/00	10	Atlantic Seaboard Industries Ltd. (ASI) - renovations to building and site preparation work. (Port aux Basques)
Equipment Retrofit	3.5	1999/00	8	Lafarge Gypsum Canada Inc. - retrofit of gypsum wallboard manufacturing equipment. (Corner Brook)
Oil Services Building	1.0	2000	19	Weatherford Services Ltd. - construction of a new building in St. Anne's Industrial Park to provide services to the offshore oil industry. (Paradise)
Particle Board Plant	7.2	1999/00	6	Wood Products Industries - construction of a new facility to manufacture particle board. Funding sources include the Province, ACOA, and HRDC. (Roddickton)
Processing Facility	4.0	2000/01	4	The Labrador Fishermen's Union Shrimp Co. - plan to build and equip a new shrimp peeling plant. Pending finalization of funds. (Charlottetown)
MINING				
Barite Mill	1.0	2000	19	Pennecon Ltd. - construction of mill to process barite concentrate into drilling mud for the offshore. (St. John's Area)
Dimension Stone Plant	1.5	1999/00	1	Labrador Inuit Development Corporation - construction of a stone plant for undersized dimension stone to manufacture monuments and custom products. (Hopedale)
Horticultural Peat Quarry	1.2	2000/01	14	Hi-Point Industries (1991) Ltd. - establishment of a horticultural peat quarry near the Gander Bay road. (Gander)
Iron Ore Capital Improvements	648.9	1997/03	2	Iron Ore Company of Canada - expenditures are intended to increase production capacity, replace equipment, upgrade technology, and improve the working environment. (Labrador City)
Limestone/Dolomite Operation	4.4	2000	9	3479617 Canada Inc. (Aguathuna Quarries) a subsidiary of Midatlantic Minerals Inc. - proposes to start an open-pit limestone and dolomite operation. (Aguathuna)
MUNICIPAL INFRASTRUCTURE				
Multi-year Municipal Capital Works Program	106.0	1999/01	N/A	Program to assist municipalities in construction of local infrastructure. Provincial/Municipal 50/50 cost-shared program. (Various Locations)
Municipal Capital Works Program	20.0	1999/01	N/A	Program to assist municipalities in construction of local infrastructure. Provincial funds. (Various Locations)

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
Water and Sewer Servicing	9.0	2000/03	1	Includes provision of water and sewer servicing for region. Federal/provincial cost-shared. (Northern Labrador Coastal Communities)
OIL & GAS				
Terra Nova Oil Development	2,200.0	1998/01	N/A	Terra Nova Project - expenditures cover the pre-production phase of the development. Figures include the construction of production vessel and modules for vessel; excavation of glory holes; drilling; fabrication and installation of subsea system; and hook-up and commissioning of vessel. (Various Locations)
Transshipment Terminal Expansion	65.0	1999/00	15	Newfoundland Transshipment Limited - expansion includes a second berth to accommodate 60,000 to 159,000 dead weight tonnage tankers, two 500,000 barrel crude oil storage tanks and related infrastructure to accommodate production from the Terra Nova oil field. (Whiffen Head)
TOURISM/CULTURE/RECREATION				
Arena Upgrade	1.0	1999/00	7	Project to include mechanical and electrical upgrades. Funded 50/50 by the Provincial Government and Town of Rocky Harbour. (Rocky Harbour)
Community Centre	6.0	1999/00	14	Construction of a new building adjoining the existing Arts and Culture Centre. New building will contain a stadium ice surface, a 200 meter walking track and will also house a sports archives and Hall of Fame. Federal, Provincial and Municipal funding. (Gander)
Discovery Centre	5.3	1996/00	7	Gros Morne National Park - facility will have interpretative, educational and scientific capabilities. Federal funds. (Woody Point)



Artist: N. Mills
Artist rendition of Discovery Centre, Gros Morne National Park.

Golf Course	1.9	1999/00	15	Sports Villas Resort Inc. - construction of a 9 hole golf course and golf cart barn. Support from the Canada/Newfoundland Comprehensive Economic Agreement and HRDC. (Port Blandford)

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
Golf Course Expansion	1.3	1998/00	14	Gander Golf Club Incorporated - expansion to an existing golf course. Support from the Strategic Regional Diversification Agreement. (Gander)
Golf Course Expansion	1.7	1999/00	12	Grand Falls Golf Club - expansion of existing course (from 9 to 18 holes). Funding from various sources including Strategic Regional Diversification Agreement, HRDC, Town of Grand Falls-Windsor, and the Golf Club. Other finding sources pending approval.
Integrated Snowmobile Trail	6.5	1999/02	N/A	Includes trail development and improvement, erection of signage and the purchase of grooming machinery. Spending in 2000-2001 targeted at $2.2 million. Funding provided by the Strategic Regional Diversification Agreement, Canada/Newfoundland Labour Market Development Agreement and the Economic Development Component of the Fisheries Restructuring and Adjustment Initiative. (Island of Newfoundland)
Integrated Snowmobile Trail	3.2	2000	N/A	Project consists of upgrading and rerouting trails. Funding is provided by the Canada/Newfoundland Comprehensive Economic Development Agreement, the Strategic Regional Diversification Agreement, the Canada/Newfoundland Comprehensive Labrador Cooperation Agreement, and HRDC. (Labrador)
Interpretation Centre and Vessel Replica	3.6	1997/00	15	Construction of the *Matthew* replica, a facility to house the vessel during the fall and winter seasons, and other amenities associated with the exhibit. Figures provided cover approved expenditures from HRDC, Economic Renewal Agreement and the Matthew Legacy Inc. Total cost to completion is $4.8 million, pending other funding applications. (Bonavista)
Park Enhancement	4.5	2000	19	Grand Concourse Authority - the enhancement of parks in the Paradise, St. John's and Mount Pearl areas. Pending funding approval. (St. John's, Mount Pearl and Paradise)
Provincial Archives, Museum & Art Gallery	40.0	2000/03	19	The facility, to be named "The Rooms", will be approximately 140,000 sq. ft. on five or six levels. Provincial funds. (St. John's)
Refurbishment of Boathouse	1.2	2000/01	19	Renovation of the existing boathouse at Quidi Vidi Lake used for the annual Royal St. John's Regatta. Partial funding has been committed from the Regatta Committee and the City of St. John's. (St. John's)
St. John's Civic Centre	36.0	1998/01	19	St. John's Civic Centre Corporation - includes a spectator facility and a convention centre. Funding by the City of St. John's $16 million; provincial government $16 million; and federal government $4 million. (St. John's)
Tourist Centre	4.0	2000	19	New 30,000 sq. ft. building to include a multi-use tourism related and hospitality centre at Pier 7 on St. John's Port Authority property. Port Authority seeking private developer. (St. John's)

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
Walkway Network	2.5	1999/02	19	Grand Concourse Authority - the continuation of an elaborate walkway system, including associated infrastructure. Funded by members of the Grand Concourse Authority, the Johnson Family Foundation, and Federal, Provincial and Municipal Governments. (St. John's, Mount Pearl, and Paradise)
TRANSPORTATION				
Airport Construction Program	48.0	1999/02	19	St. John's International Airport Authority - construction and retrofit of the existing terminal complex including expansion of commercial space. Construction includes an $8 million rehabilitation of runway (already completed). Federal funds and St. John's Airport Authority. (St. John's)
Airport Upgrade	1.4	2000	8	Deer Lake Airport Authority - purchase of new runway maintenance equipment, rebuilding of part of the aircraft apron at the main terminal and upgrading of the access road from the TCH. Federal funding and local Airport Authority. (Deer Lake)
Ferry Terminal Improvements	3.5-4.0	2000	N/A	Construction, repairs and improvements to various ferry terminals. Provincial funds. (Various Locations)
Labrador Airports Restoration Program	3.7	1998/03	2,3,4 & 5	This project involves restoration work on Labrador coastal airstrips. $749,000 to be spent in 2000-2001. Federal funds. (Labrador)
Labrador Transportation Initiative Fund	190.0	1997/03	2,3,4 & 5	Expenditures targeted towards construction of the Trans Labrador Highway. Projected expenditure for 2000-2001 is $57.5 million. Provincial funds. (Labrador)
Newfoundland Transportation Initiative	640.0	1988/03	N/A	Expenditures targeted towards upgrading the Province's highway transportation infrastructure. Projected expenditure for 2000-2001 is $56 million. Federal funds. (Various Locations)
Pier Facility	13.0	2000/03	19	St. John's Port Authority - a state-of-the-art 150,000 sq. ft. multi-use facility equipped to meet current general needs as well as future oil and gas related requirements at Pier 17. (St. John's)
Provincial Roads Improvement and Construction	16.0	2000/01	N/A	A variety of projects undertaken to maintain roads, bridges, and causeways. (Various Locations)
Road Upgrading	6.0	2000/02	1	Local road upgrading. Provincial funds. (Northern Labrador Coastal Communities)
Training Facility	5.0	2000	19	Memorial University of Newfoundland - training facility at St. John's Harbour for the Marine Institute's offshore related services. (St. John's)
UTILITIES				
Cable System Upgrade	2.0	1999/00	17	Community Cable Ltd.- installation of a hybrid fibre coaxial system to upgrade the existing cable system. (Conception Bay North)

Project	Capital Cost ($Millions)	Start/End Date	Zone	Comments/Location
Churchill River Power	7,000.0 - 10,000.0	1998/10	N/A	The project consists of several components - development of a 2,264 MW power plant at Gull Island, increased utilization of Upper Churchill capacity through the diversion of the Romaine River in Québec into the Smallwood Reservoir, transmission lines into Québec, and an infeed to the Island. For further information see *Churchill River Power* section. (Various locations in Newfoundland, Labrador and Québec)
Electrical Utility Capital Expenditures	59.7	2000	N/A	Newfoundland and Labrador Hydro - includes upgrades and improvements to transmission lines and distribution systems, improvements to generating facilities and the purchase of new equipment. (Various Locations)
Electrical Utility Capital Expenditures	42.0	2000	N/A	Newfoundland Power - figures include capital expenditures for distribution, energy supply, substations, general property and telecommunications and various other projects. (Various Locations)
Telecommunications: 11	82.0	2000/01	N/A	Newtel Communications - expenditures directed at the expansion and modernization of local, long distance, wireless and high-speed Internet telecommunications networks. Development and expansion of information technology systems including e-merchant platforms are also planned. Expenditures include $25 million for rural switch enhancements. (Various Locations)
OTHER INVESTMENT				
Canada - Newfoundland Agreement on Economic Development	81.3	1999/02	N/A	Refers to the Canada - Newfoundland Agreement on the Economic Development Component of the Canadian Fisheries Restructuring and Adjustment Initiative. The $81.3 million figure includes non-capital spending. To date, 42 initiatives to help diversify the economy of rural Newfoundland and Labrador have been approved. These projects have injected more than $18.5 million into the provincial economy. 80/20 Federal/Provincial funds. (Various Locations)
Hangar Extension	4.0	2000	14	Canadian Forces Base Gander - extension to search and rescue hangar. Construction of a new bay for storage of helicopters. Federal funds. (Gander)
RCMP Capital Program	3.3	2000/01	N/A	Royal Canadian Mounted Police - construction of new detachments and acquisition of housing. Federal funds. (Various Locations)
Upgrades at Goose Bay Air Base	12.0 - 13.0	2000/02	3	5 Wing Canadian Forces Base Goose Bay - renovations and upgrades to accommodate the Italian Air Force. Work includes hangar integration, and upgrades to barracks and accommodations. Federal funds. (Goose Bay)
Youth Correction Facility	5.5	1999/01	19	Construction of new centre. Provincial funds. (St. John's)